



CITY OF LITTLE ROCK, ARKANSAS

REQUEST FOR PROPOSALS

FOR

BANKING SERVICES

BID #15164

**RFP Issue Date:
9/20/15**

**Responses Due By:
4:00 p.m. on October 12th, 2015**

**Pre-Bid Meeting:
None**

BID # 15164

CITY OF LITTLE ROCK, ARKANSAS

RFP BANKING SERVICES

September 20, 2015

I. Introduction

A. General Information

The City of Little Rock hereby invites commercial banking institutions (“the bank” or “proposer”) who possess the capability and expertise to provide depository and various other related banking services for the City of Little Rock, to submit proposals for the provision of those services according to the requirements set forth in this document. The purpose of this process is to identify the banking institution that can offer the highest quality service at the lowest cost. Pending City Board approval, the City anticipates that the awarded bank will become the City’s primary depository bank on January 1, 2016. Proposers shall comment on whether they will be able to meet the minimum qualifications outlined in Section II and meet the timing for all of the services outlined in Section III. Exceptions shall be noted. The banking service contract will be for fiscal years 2016, 2017 and at the option of the City, for five additional years in accordance with the terms and conditions outlined below.

Throughout this document a virgule – e.g., and/or is used for the sake of brevity. To assure there is no questions, nor any ambiguity, a virgule is to be interpreted to include both the conjunctive and disjunctive. In other words, a phrase such as “employee and/or vendor” means, “the employee, the vendor, or both the employee and the vendor.” This clarification will not be made in the balance of the RFP document.

B. Instructions

1. Sealed Proposal: Responses to this request will be submitted in a sealed envelope, clearly identified as:

**PROPOSAL
BANKING SERVICES**

and mailed or delivered to:

City of Little Rock
Purchasing Division
City Hall, Room 300
500 West Markham
Little Rock, AR 72201

2. Response: Each proposer shall submit only one proposal. Supporting material and use of the standard proposal form format is **required** in the decision of selecting the most responsive proposer. Please place tabs before each scoring section, except Exhibits A & B which must be in a separate sealed envelope. See Section IV. Proposals.

All information submitted will be treated as proprietary information.

3. ***Consolidated Cost of Services Form (Exhibit A) and Sample Avg. Collected Balances/Interest Rate (Exhibit B) must be sent in a separate sealed envelope.**

Each proposer shall submit six copies of their proposal. However, only one set of financial statements needs to be submitted.

4. Questions and Additional Information: Requests for clarification or additional information should be made via email to:

Scott E. Massanelli
Treasury Manager
City of Little Rock
500 West Markham, Room 100
Little Rock, Arkansas 72201
smassanelli@littlerock.org
(501) 371-4532

The Little Rock Purchasing Division in Room 300 of City Hall will receive bids until 4:00 p.m. on Monday, October 20th, 2015. The City's goal is to operate with a maximum of 23 accounts (See Exhibit B) with daily deposits and checks drawn with the winning bank. The City expects annual receipts and expenditures to exceed \$610,350,000. Approximately 91,000 payroll and bill paying checks and 240 EFT files will be processed. The City of Little Rock issued 12,884 live payroll checks and 49,459 direct deposit advices/EFT's were processed in 2014.

II. MINIMUM QUALIFICATIONS

This section lists the minimum qualifications and criteria for a bank's proposal to be eligible for consideration and evaluation. The City's policy is to place all funds controlled by the City's Board of Directors with one bank. A Depository Agreement and Collateral Agreement will be executed for two (2) years, renewable annually for up to five additional years, with the successful bidder.

In order for a bank to be considered a qualified bidder, the bank shall be: properly licensed and a participant in all federal insurance plans.

Have at least four (4) full service staffed locations within the city limits of Little Rock and be capable of and agree to provide the City full banking services.

Be able to provide 104%-110% collateralization of all City deposits with collateral in compliance with the City's Investment Policy.

The banking institution shall have a Community Reinvestment Act rating of "satisfactory" or higher within the Greater Little Rock, Arkansas Metropolitan Statistical Area. Any rating of less than satisfactory shall result in the disqualification of the proposal.

The City prefers that the responding bank provide services without the use of joint ventures. The City **will determine the acceptability of any arrangements with the objective of the RFP to be totally inclusive.**

III. SCOPE OF BANKING SERVICES

All proposals shall include the following services, which will be required in the City's Depository and Collateral Agreements. Each bank's response to this invitation to bid shall include a statement agreeing to provide the services stated below. Please use the attached Proposal For Banking Services format. Also, each bid shall include a sample bank statement based on the criteria stated.

A. Term of Agreement

The banking services detailed in this section will be performed for the City of Little Rock, on a contractual basis for two (2) years, with an option to renew for five additional years, made in the sole discretion of the City. Fees specified in this proposal will remain fixed for the duration of the initial two (2) year period. Banking service charges for the optional years will be negotiated.

B. Termination

Either party may terminate the agreement for convenience or cause if the other party does not perform its duties or exercise its responsibilities in accordance with the contract. Upon an event of convenience or cause by either party, the other party shall provide one hundred and eighty (180) days prior written notice to the other party of such termination and specifying the effective date. The selection of 180 days is required so the City has sufficient time to rebid for banking services and to allow for a conversion to the new bank.

C. Required Banking Services

Cash the checks made payable to the City of Little Rock employees and vendors and drawn on an account held by the City at that bank's branches within the Greater Little Rock Metropolitan Area, provided the employee and/or vendor presents proper identification. Such service will not be contingent on the employee having an account with the bank, nor will the employee be charged for that service.

Provide electronic processing of monthly information to complete monthly reconciliation. This process shall be compatible with Lawson financial software.

D. Availability of Funds

Accept deposits and process checks. Deposits will be made periodically during the business day to many of the branches within the Greater Little Rock Metropolitan Area. The City of Little Rock will be given credit as collected funds on all items which are cleared by that bank on the same day on which the deposit is made. Items deposited which clear at institutions located within the appropriate Federal Reserve Region shall be considered collected funds within one business day. All other items deposited shall be given credit as collected funds within two (2) business days. The bank will also credit the City of Little Rock's accounts for incoming wire transfers on the day received regardless of the time of receipt during the day. **All proposing banks are required to attach a copy of their current "availability schedule" to the proposal.**

E. Collateralization of Account Balances

All City funds on deposit shall be collateralized at all times according to the terms in Exhibit J (Collateral Agreement.) All pledged securities (collateral) shall have a market value to at least 104% of the amount of the total *daily* deposits of public funds plus accrued interest. The pledged collateral will be equal to at least 104% of the agreed upon target balance level established between the bank and the City. Please see Exhibit J regarding collateral maturity. The bank is to provide 104% of collateral maturing five years or under. The following collateral items "a" through "d" are acceptable. If the collateral falls under category "a" and is

over five years, the City requires the bank to pledge 110% of the market value of securities or deposits. The following items are considered acceptable collateral:

- a. Direct obligations of, or obligations insured as to principal and interest by the United States Government or any agency thereof, and obligations and securities of United States sponsored corporations, which under federal law may be accepted as security for public funds.
- b. Surety bonds issued by a highly rated insurance company licensed under the laws of the State of Arkansas as determined by a nationally recognized insurance rating agency. Surety bonds are subject to review and approval by the City's Director of Finance and the Treasury Division.
- c. Private deposit insurance issued by a highly rated insurance company licensed under the laws of the State of Arkansas as determined by a nationally recognized rating agency. Private deposit insurance is subject to review and approval by the City's Director of Finance and the Treasury Division.
- d. An irrevocable standby letter of credit issued by a Federal Home Loan Bank. The standby letter of credit is subject to review and approval by the City's Director of Finance and the Treasury Management Division.

Monthly reports detailing the adequacy of collateral shall be supplied by the bank within five (5) business days of the close of each month via fax, email or mail. Any exception to this requirement shall be detailed in Exhibit G.

F. Account Structure

All accounts will be set up as interest bearing checking accounts, unless otherwise specified by the City. Interest will be paid on the Average Collected Balance of these accounts based on the previous month's average. Proposers are required to use the 91-Day Government Treasury Bill ("T-Bill"), adjusted weekly as the driver for interest rates (i.e. the rate to which daily interest rates are pegged). Proposers shall include the percentage of the interest rate driver in Exhibit B. (See Example on Pages 31 & 32).

All charges for banking services shall be reported on a monthly account analysis statement rather than being debited directly against City of Little Rock deposits. The monthly account analysis report shall be delivered to the City of Little Rock within 10 business days of the last day of each month and shall contain a detailed itemization of charges by types and volume, similar to those in Exhibit A. The monthly account analysis statement shall detail daily account balances, the interest rate paid on deposits, and the dollar amount of interest credited to Little Rock accounts.

Proposers shall provide descriptions of their detailed monthly reconciliation reporting capabilities in Exhibit F.

G. PC "On-Line" Banking Services

The City of Little Rock requires the successful proposer to provide PC "On-Line" banking services and software via a web browser (e.g. Internet Explorer 11). Please provide a description of the bank's PC based software products and services available in Exhibit F. The description shall also provide the related technical specifications. The software should be internet-based and the proposer should specify what security measures are in place to ensure protection of the City of Little Rock's assets. At a minimum, the City of Little Rock wishes to use PC-based banking for the following:

- Daily Balance Reporting (ledger, available and collected).

- Detailed debit and credit postings (cleared checks, deposits, chargebacks, wire transfers in and out, interest payments, etc.) with ability to download data into Microsoft Excel spreadsheet format on a daily basis.
- Initiation of internal account to account transfers.
- Initiation of regular recurring wire transfers.
- Initiation of Automated Clearing House debit and credit transactions. Ability to create saved “instructions” for recurring ACH debit (collection) or credit (direct deposit) type transactions.
- Placement of stop payment orders.
- Cancelled payments (for reconciliation purposes)
- Multi-level security for various City of Little Rock staff (e.g. inquiry only vs. full system administrator rights).
- Positive pay on all disbursement accounts.
- Ability to view images of checks.
- Statements shall be delivered on business day following the end of the month.

On a regular basis, the City of Little Rock will make transfers between the various accounts listed to it. Any transfers between these accounts will be charged to the City of Little Rock only as transfers and not also as items deposited and checks paid. All transfers will be done electronically via the PC by the City of Little Rock. Credit for any transfers shall be given on the same day that the transfer is made, no matter what time of day the transfer occurs.

H. ACH

The bank shall be both a “sending” and “receiving” bank on the Automated Clearing House system to accommodate a payroll direct deposit program. Presently, the City’s payroll and corresponding ACH direct deposit files, along with other disbursement ACH account files are transmitted to the bank’s processing center electronically. Proposers shall also provide ACH “blocks or filters” for preventing unauthorized debits of City bank accounts. Proposers shall include their security or fraud prevention measures related to ACH transactions and costs.

I. Wire Transfers

Incoming Wires

The City intends to consider all wire transfers received by the bank prior to the end of the business day, as “available for investment”, regardless of the time of actual receipt by the bank. Should a wire transfer not be received by the bank, then the wire transfer will be traced from origin to destination to ascertain the party responsible for delaying the transfer. If necessary, adjustments will be made as soon as possible for any lost interest.

In the event that the incoming wire transfer does not arrive in the City’s account by the end of the business day due to delay by the bank, the City shall not be charged an overdraft fee. ***The City will not accept any exceptions to this specification.***

Outgoing Wires

The awarded bank agrees to execute any wire transfer order within one (1) hour after notification by the Finance Department through the computer terminal, or by telephone, or by FAX, if necessary. Wire transfers ordered and not received by the destination party by 5:00 p.m. will be traced by the bank from origin to destination to ascertain the party responsible for delaying the transfer. If necessary, adjustments will be made for any lost interest, or charges resulting from a “fail” to consummate an investment transaction.

The awarded bank shall provide copies of the wire transfer confirmation evidencing the amount, date and time, as well as the wire transfer number for all outgoing wires on a daily basis to the City Finance Department via fax transmission. The City desires to enter into a "Wire Transfer Agreement", with the awarded bank for all wire transfers, incoming and outgoing.

J. Statement and Advice Frequency

Statements shall be delivered one business day following the end of the month via internet. The bank will provide the City electronic notifications (debit and/or credit advices) included with the monthly account statements for all account adjustments made during the month. Statements shall list the checks in numerical sequence. Checks for all accounts shall be sorted in numerical sequence. Images of checks should be made available online. Deposit codes are required for each deposit listed on a statement to help identify specific deposits.

A CD-ROM retrieval process is acceptable in place of returning checks, if a cumulative index is provided each month that indicates on which CD each check is located and if it provides a copy of the front and back of each check. The City is also interested in the use of remote deposit involving deposits of checks which contain no cash. These features, along with the replacement of other requirements with specific electronic banking services, may be negotiated. The City will only accept bids that state the fees to be charged to the City for services rendered.

Proposers shall comment on the technical support provided by the bank, whether in person or via phone, including hours of availability. All technical support shall be included as part of the banking services contract as well as any implementation of new technologies and explained in Exhibit F. Exceptions shall be noted in Exhibit G.

K. Designated Account Executive

The City requests that the proposing banks provide the names of a designated account executive, as well as an alternate. The designated account executives shall have the authority to make timely decisions in the normal course of business on their own.

Resumes shall be provided for all key account executives designated to service this account.

L. Other Banking Services and Conditions

1. All returned checks due to insufficient funds will be automatically redeposited a second time. Please include the bank's charge (if any) for this item in Exhibit A with the other costs.

All checks that are returned a second time shall be debited to the issuing account.

- ii. All debit and credit memos required to adjust errors caused by the bank will not be charged to the City. All deposit errors shall be accompanied by a copy of the particular deposit slip. All bank errors shall be corrected within five (5) business days of notification by the City.
3. The bank agrees to provide MICR check specifications to the City's check printer, which uses MHC Software.
4. Please give a brief description of your lock box processing capabilities.

5. The City requests the proposing banks to offer any optional services or make any recommendation it believes would enhance the traditional cash management abilities of the City. The City, in the evaluation of the bids, will consider these additional services if their economic benefit can be quantified. Bidders are encouraged to consider technological changes or other improvements in traditional banking services to customers, and to propose any new services that would benefit the City. Optional services should be summarized on an attached Exhibit F, but can be accompanied and supported by other material.

M. Non-Traditional Banking Services

The City will submit separate RFP proposals apart from this banking services contract for credit card services, ATM availability at City owned facilities and other non-traditional banking services such as purchasing and/or smart cards.

N. References

Please include the following references (if applicable).

Provide a list of three or more client references of similar sized and /or municipal accounts which the bank has served over the past two (2) years and is currently serving. Provide a contact person and telephone number for each customer. (See Exhibit F).

Provide two (2) references of similar sized and/or municipal accounts which have recently left (within the past year) the bank. Provide a contact person and a telephone number for each organization. (See Exhibit F).

O. Community Reinvestment Act

It is important to the City that the awarded bank demonstrates its commitment to provide banking services to the community and that the bank's rating under the Community Reinvestment Act (CRA) is a measure of this commitment.

All proposers are required to submit their latest CRA rating as it relates to the City of Little Rock community with its proposals. All proposers are required to furnish their bank's community involvement and investment programs. The City will use this rating and any supporting documentation in the evaluation process. (Exhibit C).

P. Counting Change

Proposers shall provide information on their bank's stipulations for counting change, including whether there are minimum account balance requirements for specific processes City staff shall use. (Exhibit F).

IV. PROPOSALS

A. Explanation of Proposal Forms (Important)

It is a **requirement** to use the Proposal Forms format. It is a **requirement** that you organize the information with TABS according to the order of the Proposal Forms. Any proposal that fails to

provide amounts or information to be placed on these forms, or addressing the information in the order of the TABS *shall be disqualified*. If the bank is unable to meet or exceed the requirements specified, then the phrase “No Proposal” shall be entered for that particular item.

The Finance Director and the Treasury Manager reserves the right to eliminate any individual service contained in the bid, if based on analysis, the fees for providing the service are excessive, or if the service proposed can be performed in an alternative manner.

B. Completion of Proposal Forms

Each bank should review the proposal forms and price each service specified on Exhibit A. Per item charges should be multiplied by the “Monthly Volume” to arrive at the “Monthly Cost”. The total of this column will be entered on the line “Total Monthly Cost of Checking Account Services.” If the bank does not charge for a particular service item, please indicate so by including “\$0” for no charge under the appropriate service in “Cost Per Item” column of Exhibit A. If the bank cannot provide the specific service requested, please indicate so by including “no proposal” under the appropriate service in the “Cost Per Item” column of Exhibit A.

Incomplete responses or " “Cost Per Items” with “no proposal” under the appropriate service *shall be disqualified – no exceptions*.

C. Monthly Service Charge Calculations

The awarded bank will prepare a monthly account analysis for services rendered. The analysis shall be able to be reconciled (using similar terms, formats, etc.) to the proposal form (Exhibit A) in this Request for Proposal. Total service charges will be calculated based on the actual number of transactions for a month multiplied by the fixed charge per item.

It is the intention of the City that all per item charges remain fixed over the life of the initial two-year contract. However, the City recognizes that an adjustment in a per-item charge may be necessary based on price changes by the Federal Reserve System. Adjustments in per item charges will only be allowed if:

- The per-item charge (or portion thereof) will change only for corresponding adjustments in the Federal Reserve System’s Fee Schedules, on or after the effective date of the adjustments; and,
- Changes in the Federal Reserve Fee Schedules shall be final, and not proposed; and,
- Awarded bank will provide the Treasury Manager a copy of the Federal Reserve System’s notification supporting the adjustment, with the monthly account analysis statement.

D. Summary

All banks are required to complete the bid using the format outlined in the “Proposal for Banking Services” using TABS for each section. Attach all requested forms, reports, statements, and exhibits **in accordance to the format specified** and return the complete package (6 copies) to the City in accordance with the instructions in Section I (B).

Proposer shall have no exclusive meetings, conversations, or communications with an individual evaluation panel member on any aspect of the RFP, after submittal. Any violation of this policy shall be subjected to disqualification.

The City intends to enter into a formal Banking Services Contract with the awarded bank which will incorporate all provisions of the Request for Proposal. Additional terms and conditions may be included in the contract if mutually agreed to by both parties.

The City *alone* reserves the right to accept or reject any and all proposals and to waive any nonmaterial irregularity.

The City reserves the right for on-site presentations by the designated executive. The top scoring candidates after bid submittal may be invited for a follow-up presentation.

**CITY OF LITTLE ROCK BANKING SERVICES
PROPOSAL FORM**

(TAB 1)

Proposal Submitted By:

Bank: _____

Address: _____

Telephone: _____

We have read and fully understand the City's invitation to bid on banking services, and are familiar with Little Rock's fund, bank account structure, volume of daily banking transactions and other relevant information.

Our bid is submitted in accordance with all the terms and conditions of the invitation to bid. We certify that we have adequate personnel, equipment, and facilities to fulfill all the requirements of the invitation to bid and agree to provide efficient banking services as required in the invitation to bid to the City of Little Rock.

This bid follows the format layout that is specified in Section IV and according to the Exhibits below:

- Exhibit A Consolidated Cost of Services Form – (in sealed envelope)
- Exhibit B Sample Avg. Collected Balances/Interest Rate – (in sealed envelope)
- Exhibit C Community Reinvestment Form
- Exhibit D Direct Investment in Little Rock/Main Headquarters
- Exhibit E Bank Personnel
- Exhibit F Additional Information Requested
- Exhibit G Exceptions
- Exhibit H Attachments
- Exhibit I Evaluation of Bids
- Exhibit J Sample Collateral Agreement
- Exhibit K Sample Depository Agreement
- Exhibit L City of Little Rock Investment Policy

Signature

(As the Designated Account Executive I am authorized to submit this RFP)

Title

Date

**CITY OF LITTLE ROCK BANKING SERVICES
PROPOSAL FORM**

EXHIBIT A

(SEALED ENVELOPE)

CONSOLIDATED COST OF SERVICES FORM

Bank: _____

Bank Depository Services	Estimated Monthly Volume	Cost Per Item	Monthly Cost
Account Maintenance (23 accounts)	23		
Charge Per Debit	3,184		
Charge Per Credit	1055		
On-Us Items Deposited	179		
Other Fed Items Deposited	3,377		
Canadian Items	7		
ACH Return Items	2		
ACH Credits	533		
ACH Debits	53		
ACH Per Batch Fee	20		
Charge Back Charge	6		
ZBA Monthly Maintenance	3		
ACH Filter Fee	23		
Return Item Redeposit	7		
Coin Fee – Vault	2,814		
Wire Transfer Incoming	2		
Wire Transfer Outgoing	5		
ACH Monthly Maintenance	13		
ACH Items Originated	7,185		
ACH Originated Addendum	1,080		
Partial Recon Items	3,500		
Positive Pay Month Service Fee (Accounts)	3		
Positive Pay Per Item	2,813		
Positive Pay Exceptions	15		
CD Statement	22		
Stop Payment	7		
Strap Fee – Vault	57		
Lock Box Monthly Maintenance	1		
Per Item Charge	120		
Photocopy Per Item	50		
Mail Prep	10		
Fax Fee	3		
Phone Fee	1		

Manual Capture		10				
Courier Charge		1				
Foreign Item		1				
Transmission File		2				
Unprocessable Mail		5				

Please indicate \$0 for no charge.

Incomplete or blank responses according to the format will not receive consideration – no exceptions.

TOTAL MONTHLY COST OF CHECKING ACCOUNT SERVICES \$ _____

**CITY OF LITTLE ROCK BANKING SERVICES
PROPOSAL FORM**

EXHIBIT B

(SEALED ENVELOPE)

**AVERAGE COLLECTED BALANCES
RATE OF RETURN ON COLLECTED BALANCES**

<u>ACCOUNT</u>	<u>AVG. COLLECTED BALANCE</u>
Combined Account	\$11,718.880
Payroll Account	\$703,025
Fireman's Relief and Pension Fund	\$1,436,450
Zoo Account	\$1,496
District Courts	\$1,033,217
Workers Compensation Account	\$145,282
CDBG Operating Account	\$228,747
Neighborhood Housing Account	\$150,142
State Asset Forfeiture Account	\$41,941
Neighborhood Stabilization Program	\$155,048
Grant Pass-Through Account	\$0
Justice Assistance Grand Fund	\$1,220
Paypal Account	\$9,412
Golf Account	\$0
Pay and Display Meters	\$171,929
LRPD Seized Evidence Fund	\$104,121
Land Bank Account	\$7,135
Home Investment Account HIPP	\$231,277
Federal Equity Sharing Account	\$188,275
Cash Bond Account	\$89,604
False Alarm Account	\$0
Little Rock City Beautiful Commission	\$1,352
Attorney Witness Fee Account	\$804
Interest Rate Driver	

(91-Day T-Bill, adjusted Weekly)

Percentage of the 91-Day T-Bill, adjusted Weekly
(Example: 85% - 120%)

*The transfer of these accounts may be subject to Board approval.

**CITY OF LITTLE ROCK BANKING SERVICES
PROPOSAL FORM**

EXHIBIT C

(TAB 2)

COMMUNITY REINVESTMENT ACT INFORMATION

1. Please provide the bank's CRA report of last examination including rating of the three classifications below and the period of time the rating occurs. Please answer each request in detail. The answers need to be specific to Little Rock.

a. Lending

Number of Loans

Total Dollar Amount of Those Loans

Type of Loans

Loans by Purpose

Loans received by Race and Income Group

Small Business Loans

Direct Community Development Loans

Innovative Lending Programs for Low-to-Moderate Income Persons

b. Investment

Investments with Primary Purpose of Community Development

Grants with Primary Purpose to Community Development

c. Service

Accessibility of Delivery Systems

Changes in Branch Locations & Business Hours

Services in Meeting Needs of Clients

Community Development Services

**CITY OF LITTLE ROCK BANKING SERVICES
PROPOSAL FORM**

EXHIBIT D

(TAB 3)

**DIRECT INVESTMENT IN LITTLE ROCK
MAIN HEADQUARTERS**

- 1. Describe in detail the investments that bank has in projects directly related to the City of Little Rock. Please include current projects and/or projects within the past year.**

- 2. Please indicate what city and state the bank's company headquarters is located in.**

**CITY OF LITTLE ROCK BANKING SERVICES
PROPOSAL FORM**

EXHIBIT E

(TAB 4)

EVALUATION OF BANK PERSONNEL

- 1. Please provide the names of the designated account executive as well as the alternate that will be assigned to the City of Little Rock's account.**
- 2. Please provide the names of other key personnel that will be assisting on the account.**
- 3. Resumes shall be provided for all key account executives designated to service this account. (Exhibit H).**

CITY OF LITTLE ROCK BANKING SERVICES PROPOSAL FORM

EXHIBIT F

ADDITIONAL INFORMATION REQUESTED

MINIMUM QUALIFICATIONS (Tab 5)

1. Proof of license and a participant in the Federal Deposit Insurance Corporation.
2. List at least four (4) full service staffed locations within the city limits of Little Rock and agree to provide the City full banking services at those locations.
3. Agree to provide 104-110% collateralization of all City deposits with collateral in compliance with the City's Investment Policy and to meet monthly reporting requirements. See Section III (D).
4. Provide all anticipated joint venture arrangements.

SCOPE OF BANKING SERVICES (Tab 6)

1. Agree that during the term of the agreement, the fees will remain fixed for the duration of the initial two (2) year period. Banking service charges for the optional years will be negotiated.
2. Agree to cash checks made payable to the City of Little Rock employees and vendors and drawn on an account held by the City at that bank's branches within the Greater Little Rock Metropolitan Area. See Section III (B).
3. Provide electronic processing of monthly information to complete monthly reconciliation. This process shall be compatible with Lawson financial software. Please give a detailed description of the bank's reconciliation capabilities.
4. Agree to accept deposits and process checks. See Section III (C).
5. Agree that all accounts will be set up as interest bearing checking accounts, unless otherwise specified and that interest will be paid on the Average Collected Balance of these accounts. Agree to other considerations in Section III (E).
6. Agree to provide all On-Line Banking Services described in Section III (F). Provide a detailed description of the bank's PC based banking software products available. Please include common features and functionality along with security features which will ensure protection of City of Little Rock assets.
7. Agree that the institution is a "sending" and "receiving" bank on the Automated Clearing House system and can accommodate a direct deposit program along with ACH blocks. See Section III (G).
8. Agree to the Wire Transfers requirements in Section III (H).

9. Agree to offer the requirements regarding Statements and Notifications in Section III (I).
10. Agree that all insufficient funds will be automatically deposited a second time. Agree that the bank will provide MICR check specifications to the City's check printer, which uses MHC Software and other requirements in Section III (K).
11. Provide detailed information on the process that bank uses in counting change. See Section III (O).

PROPOSALS (Tab 7)

1. Agree to provide a monthly account analysis statement according to Section IV (C).
3. Provide a detailed description of the bank's reporting capabilities.
4. Describe the bank's ability to provide technical support as it relates to the traditional banking services.
5. Describe the bank's new technology as it relates to the traditional banking services. i.e. remote deposit, etc.
6. Please list any optional services or recommendations you believe would enhance the traditional cash management abilities of the City.
7. List the bank's total dollar amount of deposits for 2014.
8. List the bank's total loan to assets ratio for 2014.
9. Describe the bank's process for providing investment information required by Governmental Accounting Standards Board (GASB) statement number 40, *Deposit and Investment Risk Disclosures*.
10. Provide a list of three or more client references of similar sized and /or municipal accounts which the bank has served over the past two (2) years and is currently serving. Provide a contact person and telephone number for each customer.
11. Provide two (2) references of similar sized and/or municipal accounts which have recently left (within the past year) the bank. Provide a contact person and a telephone number for each organization.

CITY OF LITTLE ROCK BANKING SERVICES
PROPOSAL FORM

EXHIBIT G

(TAB 8)

EXCEPTIONS NOTED

**CITY OF LITTLE ROCK BANKING SERVICES
PROPOSAL FORM**

EXHIBIT H

(TAB 9)

ATTACHMENTS

1. Attach a sample bank statement.
2. Attach resumes of designated executive, alternate and other key personnel.
3. Attach a copy of the bank's Community Reinvestment Act.
4. Attach one copy of the bank's audited financial statements for the previous year.
5. Attach a copy of the bank's Availability Schedule as it relates to deposits.
6. Proof of license and a participant in the Federal Deposit Insurance Corporation.

CITY OF LITTLE ROCK BANKING SERVICES PROPOSAL FORM

EXHIBIT I

EVALUATION OF BIDS

Bids received on time will be listed and evaluated by a committee selected by the City Manager. The Finance Director will submit a recommendation to the City Manager and Board of Directors after scoring each proposal.

Each category below will be graded on a 10 point must system with the top bank receiving the full ten points. The resulting ten points will be multiplied by the categories factor. For example, the bank with the highest score on the Lowest Cost of Fees for Minimum Level of Services Requested will receive the full ten points multiplied by a factor of five (5) and earn a score of 50 points.

Each bank will also be ranked by the overall ability to provide optional services and overall management of the City's banking services. This ranking will include all of the items in Exhibits A through H. The bank considered to be the best fit will receive a ranking of "1" and so forth.

Please be specific in the bank's response and provide sufficient information regarding each criteria for the selection committee to make an informed decision.

The evaluation process shall be conducted in a two-step process. Proposals must pass through Step #1 to proceed to the next round. The maximum points in Step #1 is 30 points. Your response to these three criteria is mandatory. These criteria will be scored or ranked by the Evaluation Committee. In order to qualify for Step #2, the average scorecard for Step #1 must be twenty-five (25) or higher. Failure to score an average scorecard of twenty-five or higher will be disqualified and not move on to Step #2.

STEP #1

1. Community Reinvestment Act
(Specific to Little Rock Only)

maximum 15 points

Lending (maximum 5 points)

Number of loans, total dollar amount, type of loans & loans by purpose.

Loans received by race and income group.

Small business loans.

Direct community development loans.

Innovative lending programs for low-to-moderate income persons.

Investment (maximum 5 points)

Investments with primary purpose of community development.

Grants with primary purpose to community development.

Service (maximum 5 points)

Accessibility of Delivery Systems

Changes in Branch locations & business hours

Services in Meeting Needs of Clients

Community Development Services

2. Extra consideration will be awarded for the direct investment in projects related to the City of Little Rock & having company headquarters located in Little Rock. maximum 10 points

3. Evaluation of personnel who will work on the City's account. maximum 5 points

STEP #2 - *Consolidated Cost of Services Form (Exhibit A) and Sample Avg. Collected Balances/Interest Rate (Exhibit B) must be sent in a separate sealed envelope.

1. Lowest cost of fees for minimum level of services requested in Exhibit A. maximum 50 points

2. Highest rate of return on overnight accounts. maximum 20 points

OTHER

The selection committee may contact banks submitting bids to clarify any issues during the evaluation but will not discuss other banks' bids with any bidder. Once the evaluation is completed, the evaluation forms of all bids will be included with their recommendation to the City Manager and the City's Board of Directors.

Any other information required to prepare a bid should be requested from the Treasury Manager at 371-4532, as soon as possible, and the City will make every reasonable effort to provide it. All questions regarding the RFP will be posted on the City's website along with the corresponding answer. The last day to submit questions is October 2nd, 2015.

Questions concerning this request for bid should be directed to:

Mr. Scott Massanelli, Treasury Manager
500 West Markham, Room 100
Little Rock, Arkansas 72201-1413
501-371-4532
smassanelli@littlerock.org

**CITY OF LITTLE ROCK BANKING SERVICES
PROPOSAL FORM**

EXHIBIT J

SAMPLE COLLATERAL AGREEMENT

_____ **BANK**

COLLATERAL AGREEMENT

THIS AGREEMENT, made and executed by and among the CITY OF LITTLE ROCK, (the DEPOSITOR), a public entity, _____ (the "BANK"), a national banking association chartered under the laws of the United States, and the FEDERAL RESERVE BANK OF BOSTON, (the "DEPOSITORY") a banking association chartered under the laws of the state of Arkansas. This Agreement sets forth the understanding of the parties with regard to certificated and non-certificated securities held in a joint custody safekeeping account at the DEPOSITORY for the CITY OF LITTLE ROCK as collateral for DEPOSITOR monies held on deposit by the BANK.

WITNESSETH:

WHEREAS, CITY OF LITTLE ROCK maintains substantial deposits of its funds with BANK; and

WHEREAS, CITY OF LITTLE ROCK is a public entity, and

WHEREAS, the BANK may upon deposit with it of any funds by such a political subdivision, give security for the safekeeping and prompt payment of such funds pursuant to 12 U.S.C. 90 and Arkansas law;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants herein contained, it is hereby agreed as follows:

**ARTICLE I
THE SECURITY INTEREST**

- 1.01 **Ownership of Securities.** The BANK represents and warrants that it is the legal and actual owner, free and clear of all liens and claims, of the securities described in Exhibit "A" attached hereto and made a part hereof (such securities, or substitutions therefore made pursuant to paragraph 4 hereof, are hereinafter referred to as the "Pledged Securities").
- 1.02 **Grant of Security Interest.** The BANK hereby grants to CITY OF LITTLE ROCK, a security interest in, and hereby pledges solely to CITY OF LITTLE ROCK, the Pledged Securities, as collateral for repayment of deposits of the total daily deposits of public funds plus accrued interest. The Pledged Securities shall have a value equal to or greater than 104% of the daily account balances established between the BANK and the CITY. Please see addendum (ORDINANCE NO. 18,772) regarding collateral maturity.

The City will retain 104% of collateral maturing five years or under as shown in the following collateral items "a" through "d". If the collateral falls under category "a" and is over five years, the BANK agrees to pledge to the CITY 110% of market value of securities or deposits. Under a state law passed in 2001, the BANK will furnish

the following acceptable items as collateral balance for CITY OF LITTLE ROCK funds on deposit at the bank, if (a) 104% U.S. Government securities or U.S. Government Agency securities; or (b) 120% if Arkansas securities.

- a) Direct obligations of, or obligations insured as to principal and interest by the United States Government or any agency thereof, and obligations and securities of United States sponsored corporations, which under federal law may be accepted as security for public funds.
- b) Surety bonds issued by a highly rated insurance company licensed under the laws of the State of Arkansas as determined by a nationally recognized insurance rating agency. Surety bonds are subject to review and approval by the City's Director of Finance and Treasury Division.
- c) Private deposit insurance issued by a highly rated insurance company licensed under the laws of the State of Arkansas as determined by a nationally recognized rating agency. Private deposit insurance is subject to review and approval by the City's Director of Finance and Treasury Division.
- d) An irrevocable standby letter of credit issued by a Federal Home Loan Bank. The standby letter of credit is subject to review and approval by the City's Director of Finance and Treasury Division.

ARTICLE II
BANK ACCOUNT FLUCTUATION
VALUATION OF SECURITIES

2.01 **Withdrawal of Funds.** In the event that CITY OF LITTLE ROCK withdraws funds from the BANK and determines that the actual balance of CITY OF LITTLE ROCK'S accounts at the BANK is too high in comparison to the anticipated balance thereafter, CITY OF LITTLE ROCK shall so notify the BANK and release its security interest in the Pledged Securities to the extent necessary to reduce the dollar amount of the Pledged Securities to the minimum value of collateral security required, (minimum of 104% of the *daily* account balances if Pledged Securities have maturities not to exceed five (5) years, or 110% of the *daily* account balances if Pledged Securities have a maturity of five years or more, and will forthwith take all action necessary to authorize the CITY OF LITTLE ROCK to release and deliver to the BANK that portion of the Pledged Securities which exceeds the minimum value of collateral security (104% of the *daily* account balances if Pledged Securities have maturities under five (5) years or 110% of the *daily* account balances if Pledged Securities have maturities exceeding five (5) years as required by the new daily balance). The CITY will base such review on the daily balance and the anticipated balance with notification to the BANK.

2.02 **Deposit of Funds.** In the event that the CITY OF LITTLE ROCK increases its funds deposited with the BANK and determines that the *actual balance of the DEPOSITOR'S accounts at the BANK is too low in comparison to the anticipated balance thereafter*, the CITY OF LITTLE ROCK shall notify the BANK of the increase. The BANK shall verify the increased deposits and notify the CITY OF LITTLE ROCK forthwith of any disagreement with the increase. Upon agreement with the increase, the BANK shall deliver to DEPOSITORY additional Pledged Securities in the dollar amount necessary to increase the total dollar amount to either 104% of the *daily* account balances if Pledged Securities have maturities under five (5) years or 110% of the *daily* account balances if Pledged Securities have maturities exceeding five (5) years as required by the new daily balance. The CITY will base such review on the daily balance and the anticipated balance with notification to the BANK.

**ARTICLE III
AUTHORITY OF CITY OF LITTLE ROCK**

- 3.01 **Designation.** The FEDERAL RESERVE BANK is hereby designated as DEPOSITORY for the purpose of holding the Pledged Securities.
- 3.02 **Authority.** The DEPOSITORY shall be authorized to do the following:
- (a) Deliver receipts to the BANK upon receipt of any Pledged Securities or substitutions therefore;
 - (b) Hold the Pledged Securities as collateral security in the manner set forth herein;
 - (c) Release Pledged Securities to the BANK as set forth in paragraph 2.01 hereof upon instruction from CITY OF LITTLE ROCK and the BANK to do so;
 - (d) Keep the Pledged Securities separate and apart in the joint account maintained by CITY OF LITTLE ROCK and the BANK;
 - (e) Collect maturing interest coupons and principal of the Pledge Securities which are in bearer form and credit the account of the BANK;
 - (f) Surrender to the BANK all Pledged Securities that CITY OF LITTLE ROCK requests to be surrendered (whether for the reason that such Pledged Securities are maturing, have been called or redeemed, or are being substituted *for* by the BANK), provided that the BANK shall, either prior to or concurrently with such surrender, substitute therefore other securities meeting the requirement of *Article IV* hereof;
 - (g) Accept securities being substituted for Pledged Securities in accordance with paragraph (f) above;
 - (h) Accept Pledged Securities in the event of increases in deposits of CITY OF LITTLE ROCK as verified to the DEPOSITORY by the BANK;
 - (i) Release Pledged Securities to CITY OF LITTLE ROCK upon default of the BANK upon instruction from CITY OF LITTLE ROCK and the BANK to do so as proved in *Article VI* hereof and consistent with *Federal Reserve Bank Operating Letters No.s' 11 and 16*;
 - (j) Release all Pledged Securities to the BANK upon termination of this Agreement as provided herein.
- 3.03 **Conflicts.** Notwithstanding any other provision in this Agreement, in the event of a conflict between this Agreement and Federal Reserve Bank Operating Letters Nos'. 11 and 16, the parties agree that the Operating Letters control.

**ARTICLE IV
COLLATERAL SECURITIES AUTHORIZED BY ARKANSAS LAW**

- 4.01 **Securities Authorized as Collateral.** The BANK may hold securities of which it is the legal and an actual owner, free and clear of all liens and claims, so long as such securities are of one or more of the following types:
- (a) Bonds, notes, and treasury certificates issued by the United States or guaranteed as to the payment of principal and interest by the United States.

- (b) Bonds or notes constituting obligations of the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank, the Federal Financing Bank, or the Student Loan Marketing Association;
 - (c) Bonds or notes constituting direct obligations of the State of Arkansas;
 - (d) Bonds or notes issued by any local improvement district or public school district organized under the laws of this state which bonds, notes or certificates, at the time of the pledge, are not in default either as to interest or principal;
 - (e) Any other negotiable obligations authorized by Arkansas law and approved in writing by the Treasurer/Finance Director of CITY OF LITTLE ROCK prior to substitution.
- 4.02 Substitutions of Securities by the BANK. The BANK may substitute securities for all of any part of the Pledged Securities from the list *set forth in paragraph 4.01 upon notice to CITY OF LITTLE ROCK.*
- 4.03 Notice. Such notice may be communicated by telephone, fax transmission, or in writing and shall include a complete description of the securities to be substituted as Pledged Securities, the total dollar amount of such securities as of the day of the notice, and the Moody's or Standard & Poor's rating thereof, if any.
- 4.04 Objection by CITY OF LITTLE ROCK. Within two (2) days after receipt of such notice, excluding Saturdays, Sundays and holidays on which the FEDERAL RESERVE BANK OF BOSTON is closed, CITY OF LITTLE ROCK may object to the substitution, and may, in its sole discretion, require that the substitution be rescinded. In such event, the BANK agrees to withdraw the securities so substituted for the same other securities described in paragraphs 4.01 (a) through (e) above which are acceptable to CITY OF LITTLE ROCK.

ARTICLE V MINIMUM REQUIREMENTS FOR COLLATERAL SECURITY

- 5.01 Cure of Deficiency. At all times which this Agreement is in effect, the dollar amount of the Pledged Securities shall equal or exceed the minimum level of collateral security required under paragraph 1.02 herein. Should the dollar amount of the Pledged Securities at any time not equal or exceed the minimum level of collateral security, the BANK shall cure such deficiency within two (2) days after the BANK has knowledge thereof by delivering to the DEPOSITORY additional Pledged Securities in a dollar amount not less than such deficiency. The DEPOSITORY is to have no responsibility for determining the dollar amount of the Pledged Securities, or substitutions therefore, or for ensuring that the dollar amount of such securities it holds is proper under the terms of this Agreement.
- 5.02 Monthly Statement. The DEPOSITORY shall furnish monthly statements to CITY OF LITTLE ROCK designating the Pledged Securities until the end of the term of this Agreement.

ARTICLE VI PERFORMANCE BY THE BANK

- 6.01 Pledge. The BANK pledges that it will faithfully perform all duties and obligations required by law; that it will pay upon presentment of all checks drawn upon any demand deposit account; and that CITY OF LITTLE ROCK funds will be faithfully kept and accounted for according to law.

- 6.02 Default. In the event that BANK shall fail to pay to CITY OF LITTLE ROCK any funds which CITY OF LITTLE ROCK has on deposit therein in accordance with the terms of such deposit; or should the BANK fail or suspend active operations, the deposit in such BANK shall become due and payable immediately. The BANK authorizes the release of the Pledged Securities to CITY OF LITTLE ROCK and agrees to sign the joint authorization required by the DEPOSITORY to release the Pledged Securities to CITY OF LITTLE ROCK upon default by the bank.
- 6.03 Right to Sell. CITY OF LITTLE ROCK shall also have the right to sell the said securities at any public or private sale at its option without advertising such sale, upon not less than one (1) day notice to the BANK and the DEPOSITORY. In the event of such sale, CITY OF LITTLE ROCK, after deducting all legal expenses and other costs, including reasonable attorney's fees, from the proceeds of such sale, shall apply the remainder on any one or more of the liabilities of the BANK to CITY OF LITTLE ROCK and shall return the surplus, if any, to the BANK.

ARTICLE VII TERM

- 7.01 Term. This Agreement will continue in duration until terminated by the respective parties thereto by sixty (60) days written notice delivered by any party to the others.

ARTICLE VIII MISCELLANEOUS

- 8.01 Agreement Maintained as Official Record. This Agreement and any amendments thereto will be maintained as an official record of the BANK and reflected in the minutes of the approving body.
- 8.02 Arkansas Law. The laws of the State of Arkansas shall govern this Agreement.
- 8.03 Venue. Venue shall be Little Rock, Pulaski County, Arkansas, and the Eastern District of Arkansas.
- 8.04 Binding on Successors and Assigns. This Agreement shall be binding upon the parties and their respective successors and assigns.
- 8.05 Service Charges. The BANK shall pay any service charges made by the CITY OF LITTLE ROCK in connection with this Agreement.
- 8.06 Authority to Enter Agreement. This Agreement is made pursuant to authorization by the bylaws of the BANK and its Board of Directors, by the bylaws of the DEPOSITORY and its Board of Directors, and by resolution of the CITY OF LITTLE ROCK Board of Directors.
- 8.07 Agents. The parties designated as their agents for receipt of notices and correspondence the following:
- (a) For DEPOSITOR
City of Little Rock
City Hall
500 West Markham Room 100
Little Rock, AR 72201
Attention: Scott Massanelli
 - (b) For the BANK

IN WITNESS WHEREOF, the parties hereto, by their respective officers duly authorized, have caused this Agreement to be executed as of the day and year first above written.

CITY OF LITTLE ROCK

ATTEST:

BY: _____

BY: _____

TITLE: _____

TITLE: _____

BANK

ATTEST:

BY: _____

BY: _____

TITLE: _____

TITLE: _____

**CITY OF LITTLE ROCK BANKING SERVICES
PROPOSAL FORM**

EXHIBIT K

CITY OF LITTLE ROCK, ARKANSAS

SAMPLE DEPOSITORY AGREEMENT

THIS AGREEMENT between the City of Little Rock, Arkansas (hereinafter called the “City”), and _____ (hereinafter called the “Depository”), as follows:

WITNESSETH:

- (a) The Depository shall act as Depository of the City, under the authority of Ordinance No. 11,398, enacted by the City Board of Directors on _____, 2015 (hereinafter, the “Ordinance”), for the following term:

From January 1, 2016 through Calendar Year 2017, and renewable at the option of the City for calendar years 2018, 2019, 2020, 2021 and 2022.

- (b) During the entire term of this Agreement, the City shall deposit with the Depository all municipal funds to be deposited with the Depository in such separate accounts and with such authorized signers as may from time to time be designated in writing for such purpose by the City Manager or the City Finance Director in such form as the Depository may require. Notwithstanding the foregoing, this Depository Agreement does not bind the City from investing its assets in whole or in part outside of the Depository.

- (c) All deposit accounts established with the Depository under the authority of the Ordinance shall be general checking accounts, and not time deposits or savings accounts. All checks issued on these accounts shall be drawn in the name of the City over the signature or signatures of one or more authorized signers for each account. The attached listing of authorized signers for each account will specify the number of signatures required for each account as of the date of this Agreement and to what extent facsimile signatures can be used. This listing may be amended from time to time through written notice delivered by the City to the Depository to add or delete accounts or authorized signers. In the event that the City wishes to add a new account or add an authorized signer to an existing account, the City agrees that it will execute such forms as Bank may regularly require from its customers for such purpose.

- (d) The Depository will provide the City full banking services, including those “Required General Banking Services” which were listed in the Depository’s bid, at the charges specified in the Bank Services Cost of Services included in the Depository’s bid. These services will include, but not be limited to, the following:

- (1) Accept deposits and processing checks;
- (2) Night depository services; direct payroll processing for participating

employees, (approximately 49,500 transactions annually); automated deposits of state and federal payroll taxes, as well as other electronic funds transfers to vendors (ACH). The depository agrees it will receive direct deposit files by modem or other electronic means from the City.

- (3) Provide electronic reconciliation files, (e-mailed file) which will be furnished for the City's Combined account, its Payroll account, and additional accounts stipulated by the City.
- (4) Provide wire transfers, internet access, stop payments, transfers between funds, historical capabilities and the ability to download data into an Excel spreadsheet.
- (5) Providing the City with a monthly statement of each account detailing daily account balances, the interest rate paid on deposits, and the dollar amount of interest earned, and list checks posted to the account in numerical sequence;
- (6) Provide the City with cancelled checks for the Combined and Payroll accounts sorted in check number sequence, unless replaced by electronic check images maintained on a CD-ROM retrieval process acceptable to the City;
- (7) Provide the City with images of cancelled checks for all accounts;
- (8) The City requires an automatic sweep product for the investment of end-of-day balances over an agreed upon target balance level established between the depository and the City. A sweep arrangement will be necessary for two accounts: the Combined Account and an account where escrow or grants are temporarily held. All excess balances will be deposited daily into the bank's "sweep" account. Interest will be paid daily from the sweep arrangement. The "sweep" account will be dollar for dollar and will contain only authorized investments as stated by Arkansas statutes and the City's investment policy.
- (9) Provide the City with one or more monthly account analysis statements, reflecting the manner in which the City's service charges for the month were calculated in accordance with the pricing set forth in the attached Bank Services Cost of Services List; and
 - (a) Each City employee/vendor may be required to present proper identification before cashing a check, in accordance with the Bank's standard check cashing procedures;
 - (b) The Depository will not require City employees to maintain an account with the Depository or to pay a fee in order to cash a City check;
 - (c) This service will be provided to City employees at every branch of the Depository within the Greater Little Rock Metropolitan Area (MSA);
 - (d) The Depository will not provide the City with free checks or deposit tickets.
 - (e) The Depository will collateralize the balances maintained in the City's accounts and obtain the City's approval to adjust or substitute collateral to the extent required by the Collateral Agreement between the City and the Depository dated January 1, 2016.
 - (f) The Depository will pay the City interest on all its eligible accounts as follows:
 - (1) Interest will be calculated and credited to each account based upon its' daily collected balance;
 - (2) The interest rate will be calculated as follows:

Period

Calendar Year 2016

Interest Rate

___% of the 91-Day Government Treasury Bill rate ("T-Bill Rate") adjusted weekly

Calendar Year 2017	___% of the 91-Day Government Treasury Bill rate (“T-Bill Rate”) adjusted weekly
Calendar Year 2018	Negotiated
Calendar Year 2019	Negotiated
Calendar Year 2020	Negotiated
Calendar Year 2021	Negotiated
Calendar Year 2022	Negotiated

- (3) Interest will be credited to the accounts monthly.
- (g) The Depository will notify the City immediately of any change in its Banking licenses or Federal Deposit Insurance Corporation deposit insurance coverage.
- (h) In the event this Agreement does not prove to be satisfactory to the City or the Depository, it may be cancelled at any time by either party upon presentation of a sixty (60) day written notice of cancellation to the other party.
- (i) The City will execute any additional customary agreements and documents required by the Depository to establish individual accounts and designate, add or delete authorized signers thereto, and the Depository agrees to execute such documents as may be reasonably required by the City in the course of the City’s banking activities during the term of this agreement.
- (j) Except to the extent of conflict with the provisions of this Depository Agreement and the Collateral Agreement dated January 1, 2016, the City and Depository agree to be bound by the agreements and documents previously executed between the City and Depository to establish and govern the City’s accounts with Depository. In the event of conflict between this Depository Agreement or the Collateral Agreement and the provisions of such prior agreements and documents, the terms of this Depository Agreement and/or Collateral Agreement will prevail and control.
- (k) The Depository shall provide the City’s Treasury Manager with a monthly invoice setting forth all banking fees and service charges for the prior month.
- (l) The City reserves the right to consolidate its checking accounts at any time during the term of this Agreement in order to gain operating efficiencies.

EXECUTED as of the 1st day of January 2016

CITY OF LITTLE ROCK, ARKANSAS

ATTEST:

BY: _____

TITLE: _____

BY: _____

TITLE: _____

FINANCIAL INSTITUTION

ATTEST:

BY: _____

TITLE: _____

BY: _____

TITLE: _____

**CITY OF LITTLE ROCK BANKING SERVICES
PROPOSAL FORM**

EXHIBIT L

**CITY OF LITTLE ROCK, ARKANSAS
POOLED CASH PORTFOLIO
INVESTMENT POLICY GUIDELINES
MAY, 2015**

I. Governing Authority

The investment program shall be operated in conformance with Arkansas State Statutes and by the Little Rock City Board of Directors. The Finance Director and Treasurer is responsible for investing the unexpended cash in the City Treasury.

The authority governing investments for municipal governments with property valuations in excess of \$400,000,000 is set forth in Arkansas State Statute §14-58-309. Investment of City funds will be made only in compliance with Arkansas statutes.

II. Scope

This policy applies to the investments of all monies held by the City under the control of the City's Board of Directors, that are not needed for the near term payment of obligations. This policy shall also apply to any entity that receives a majority of its funding from City appropriations.

This policy does not apply to the Police, Fire, and Non-Uniformed Employees Retirement Funds. Longer-term funds, including investment of Employees' Deferred Compensation Fund are covered by separate policies.

1. Pooling of Funds

The City will consolidate cash balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

III. General Objectives

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield.

1. Safety

Safety of principal is the foremost objective of the City of Little Rock's investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

a. Credit Risk

The City of Little Rock will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the safest types of securities (no stocks, no derivatives)
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized

b. Interest Rate Risk

The City of Little Rock will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

2. Liquidity

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

3. Yield

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. The City shall maximize interest yields while ensuring that the maturity dates coincide with projected expenditure requirements. Furthermore, the City shall purchase investments through competitive bidding, placing the investment with the bid providing the highest interest yield for the maturity required. Securities shall not be sold prior to maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap, which would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs require that the security be sold.

IV. Standards of Care

1. Prudence

The standard of prudence to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures, this investment policy, and with due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

The “prudent person” standard states that, “Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”

2. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. No employee shall have a direct or indirect financial interest with the broker or corporation with whom they are conducting business. Employees and investment officials shall disclose any personal financial interests that could be related to the performance of the City’s investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City of Little Rock.

3. Delegation of Authority

Authority to manage the investment program is granted by the Board of Directors to the City’s Finance Director and Treasurer. The Finance Director and Treasurer shall designate up to two (2) investment officers who shall have the responsibility for the operation of the investment program and shall act in accordance with this investment policy and established written procedures and internal controls for the operation of the investment program. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided by the investment officer. The investment officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

V. Authorized Financial Institutions and Brokers/Dealers

A list will be maintained of financial institutions and broker/dealers authorized to provide investment services. The Treasury Manager shall annually send a copy of the City’s current investment policy to all financial institutions and broker/dealers approved to do business with the City. These financial institutions and broker/dealers shall be creditworthy (e.g. a minimum capital requirement of \$10,000,000), have been in operation at least five years, and have a physical presence in the city of Little Rock, Arkansas. These may include “primary” dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified for investment transactions shall supply the following as appropriate:

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines
- Proof of National Association of Securities Dealers (NASD) certification
- Proof of state registration
- Completed broker/dealer questionnaire
- Certification of having read and understood and agreeing to comply with the City's investment policy
- Evidence of adequate insurance coverage

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the investment officer.

VI. Safekeeping and Custody

1. Internal Controls

The investment 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. Complete records of all investment transactions will be kept in the Little Rock Finance Department. The Director of Finance shall render a quarterly report to the City Manager detailing the type of investment, amount of money invested, maturity dates, and interest yields. The City's Audit Manager will review this investment report for compliance of the City's investment policy to state statutes.

Accordingly, the Director of Finance shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Dual authorizations of wire transfers
- Development of a wire transfer agreement with the lead bank and third-party custodian

2. Delivery vs. Payment

All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held by a third-party custodian as evidenced by safekeeping receipts. Bank certificates of deposit shall be held either in trust with the issuing bank or in physical form in the City's Treasury Management office.

3. Safekeeping

Securities will be held by a independent third-party custodian selected by the city as evidenced by safekeeping receipts in the City of Little Rock's name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls (Statement of Auditing Standards NO. 70, or SAS 70).

VII. Suitable and Authorized Investments

1. Investment Types

The following investments will be permitted by this policy and those defined by Arkansas statutes and the City of Little Rock:

- U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government and are considered to be the most secure instruments available;
- U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value;
- Certificates of deposit and other evidences of deposit at financial institutions;
- Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a nationally recognized rating agency;
- Investment-grade obligations of state, provincial and local governments and public authorities;
- Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities;
- Local government investment pools either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation.

State legislative action that further provides for allowable investment vehicles may be incorporated into the City's investment policy. The City of Little Rock shall not invest in derivative products, common stocks, or long-term bonds used for speculation.

2. Collateralization

- a. The safety of public funds should be the foremost objective in managing public funds. Collateralization of public deposits through pledging of appropriate securities by depositories is required for investments not placed in U.S. government securities. To reduce market risk, the collateralization level will be at a minimum of 104% of the market value of the certificate of deposit plus accrued interest. A three party collateral agreement between the City, the financial institution, the Federal Reserve Bank and/or the Arkansas Bankers' Bank with acceptance by the City and the financial institution, will be executed prior to the purchase or delivery of the certificate of deposit.
- b. The Director of Finance shall take all possible actions to comply with federal requirements in order to ensure that the City's security interests in collateral pledged to secure deposits are enforceable against the receiver of a failed financial institution.

VIII. Investment Parameters

1. Diversification

The investments shall be diversified by:

- limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),
- limiting investment in securities that have higher credit risks,
- investing in securities with varying maturities, and
- continuously investing a portion of the portfolio in readily available funds such as money market funds to ensure that appropriate liquidity is maintained to meet ongoing obligations.

2. Maximum Maturities

To the extent possible, the City of Little Rock shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow or otherwise permitted by state statutes or local ordinances, the City will not directly invest in securities maturing more than five (5) years from the date of purchase. The City shall adopt weighted average maturity limitations (which often range from 90 days to 3 years), consistent with the investment objectives.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. However, exceptions for extraordinary circumstances for funds clearly not needed within the normal term limitations may be approved by the Director of Finance and Treasurer. The intent of this policy is to guide the City's investments to short or medium term instruments and away from long term securities.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as money market funds to ensure that appropriate liquidity is maintained to meet ongoing obligations.

3. Competitive Bids

The investment officer shall attempt to obtain competitive bids from at least three brokers or financial institutions on all purchases of investment instruments purchased on the secondary market. Brokers bidding on new issues in the primary market at par will be selected based on an alternating schedule.

IX. Reporting

1. Methods

The investment officer shall prepare an investment report at least quarterly, that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This quarterly report will be prepared in a manner which will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the Director of Finance and

Treasurer, the City Manager, the Board of Directors, and any concerned citizen. The report will include the following:

- Listing of individual securities held at the end of the reporting period.
- Realized and unrealized gains or losses resulting from appreciation or depreciation.
- Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
- Listing of investment by maturity date
- Percentage of the total portfolio which each type of investment represents.

2. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis. The benchmarks shall be reflective of the actual securities being purchased and risks undertaken, and the benchmarks shall have a similar weighted average maturity as the portfolio.

3. Marking to Market

The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly.

X. Policy Considerations

1. Amendments

This policy shall be reviewed on an annual basis. Any changes shall be recommended by the Finance Director and approved by the Board of Directors.