



**TEXAS STATE AFFORDABLE HOUSING CORPORATION**

**REQUEST FOR PROPOSAL**

**BANK DEPOSITORY SERVICES**

**September 10, 2015**

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# TEXAS STATE AFFORDABLE HOUSING CORPORATION

## BANK DEPOSITORY SERVICES REQUEST FOR PROPOSAL

### I. INTRODUCTION

The Texas State Affordable Housing Corporation of Austin, Texas (the "Corporation") is requesting proposals for bank depository services with service to begin March 1, 2016 and extend through February 28, 2019 with two possible one-year extensions, if approved by the Board of Directors of the Corporation.

Through this contract the Corporation intends to minimize banking costs, improve operational efficiency, and maximize earnings. This Request for Proposal (RFP), which represents the Corporation's cash management goals, specifies all the required qualifications, banking services required, activity volumes on accounts, method and terms of compensation, submission instructions, and contract award provisions.

### II. PROPOSAL QUALIFICATIONS AND INSTRUCTIONS

**By submitting a proposal in response to this RFP, depositories will be deemed to agree to the Corporation's mandatory contract and service provisions contained herein.**

**The proposal submitted will be incorporated into and form the basis of the bank depository services contract along with this RFP.**

#### 1. Proposal Format

In order to equitably evaluate each bank's ability to meet the banking services needs of the Corporation, a standard format for all proposals is required. A response must be given to each item in Sections IV through VI in the order given along with completion of Attachments A, B and C. Only proposals submitted in the prescribed format and using the provided Attachments will be considered and evaluated for contract award. Additional explanatory information may be included by the bank.

An electronic copy of this RFP is available upon request but proposal submission must be in both paper and electronic form.

#### 2. Schedule for Proposal Submission

The Corporation will make every effort to adhere to the following schedule.

October 2, 2015	Release of Request for Proposal
October 16, 2015	Deadline for submission of questions regarding RFP (2:00pm CST)
October 23, 2015	Responses to questions provided to all known proposers (4:00pm CST)
December 4, 2015	Deadline for proposal submission (3:00pm CST)
February 11, 2016	Corporation Board Action to Award Contract
March 1, 2016	Contract commencement

#### 3. Proposal Submission

To be eligible for consideration under this request, one electronic copy of each proposal shall be submitted by 3:00 pm CST on December 4, 2015 to [msmith@tsahc.org](mailto:msmith@tsahc.org). Proposals received after that time will not be accepted. A cover letter must accompany the proposal. The cover letter should contain an executive summary of the proposal but should not contain any information not submitted as part of the proposal. The cover letter may not exceed one (1) page in length. The cover letter must be signed by an individual authorized to commit the banking institution to any resulting contract and must state that the proposal will remain in effect for 180 days from date of submission.

**Any banking institution submitting a proposal is deemed to have read, understood and agreed to all terms, conditions and requirements set forth in the specifications.**

#### **4. RFP Questions**

There will be no pre-proposal conference. Questions regarding this RFP, or the services requested, will be accepted in e-mail form only, at [msmith@tsahc.org](mailto:msmith@tsahc.org), on or before 2:00 pm October 16, 2015. Responses to all material questions submitted will be communicated via email to all known banks by 4:00 pm October 23, 2015.

#### **5. Selection Criteria**

The following criteria will be used by the Corporation as the basis for weighting the evaluation and for award recommendation.

- 25 % - banking services costs,
- 25 % - responsiveness and ability to provide services required,
- 25 % - earnings potential and funds availability,
- 10 % - experience and continuity of bank and bank officials, and
- 15 % - creditworthiness of the bank.

#### **6. Corporation Rights –**

The Corporation reserves the right to:

- waive any defect, irregularity or informality in the proposal or proposal procedures,
- reject any and all proposals,
- request additional information or require a meeting with bank representatives for clarification,
- cancel and/or reissue this request for proposal,
- modify any deadline,
- accept any proposal or portion thereof most advantageous to the Corporation,
- negotiate with respondents,
- select any proposal deemed to be in the Corporation's best overall interest, and
- award the contract based on the overall best interest of the Corporation.

#### **7. Proprietary Information**

As a public entity, with few exceptions, individuals are entitled to be informed about the information that governmental bodies collect. Under Sections 552.021 and 552.023 Government Code, individuals are entitled to receive and review such information. Every proposal becomes a matter of public record and is open for review by the public in accordance with the Texas Government Code Chapter 552.001. Information may be exempted from these statutory requirements if it is information that, if released, would give advantage to a competitor or bidder. Proprietary information contained in the proposal should be designated as such on each page containing the restricted information. The Corporation will attempt to honor proprietary information so marked.

#### **8. Bank Fees**

The Corporation will evaluate the proposals on both a fee and compensating balance basis for compensation. **The Corporation requires the ability to change from one to the other form of compensation on thirty (30) days written notice (corresponding to a reporting period) throughout the contract period to recognize earnings made possible by changes in interest rates.**

If a compensating balance basis is chosen, the Corporation may desire a structure which will sweep accounts to their compensating balance each night through a master account or from individual accounts. If a fee basis is chosen the Corporation may desire that balances be swept to zero. On a fee basis the bank may, within five business days of Corporation receipt of the monthly account analysis, direct debit the designated account for fees due, if no exceptions are found or objections made by the Corporation. A complete account analysis will be required monthly regardless of the payment basis.

All item and account charges as designated on Attachment A will remain at the proposal price quoted for the duration of the initial three years of the contract period regardless of changes in service volumes during the period. Should

new services be required during the contract period not contemplated by this RFP those services will be provided at not more than the bank's then-current published rate.

Any changes in fees for the two extension periods will be negotiated with and approved by the Corporation. In no instance will the rate increases in extension periods exceed the Dallas CPI increases during the same periods as reported by the Bureau of Labor Statistics.

All fees and charges for services proposed for provision under the resulting contract will remain at the proposal price quoted for the entirety of the contract period. The Corporation has made every effort to present an accurate projection of service volumes based on historical usage on Attachment A. However, changes in service levels, especially made in response to new technology, cannot be anticipated. Any material changes in service volumes may be discussed with the Corporation during the contract period but any change in resultant pricing will require written Corporation consent. The bank may reduce fees at any time during the contract period after notification to the Corporation.

Should entirely new services be required during the contract period not contemplated by this RFP, those services will be provided at fees mutually agreed upon by the banking institution and the Corporation and will not be charged at more than the banking institution's then-current *published* rate.

Every responding bank is required to complete Attachment A – Service Fees - as part of their proposal. Every bank fee needed to provide a particular service shall be noted and included in the presentation of fees regardless whether they are currently used by the Corporation or broken out under the current bank's fee structure. This provides a full and complete indication of the true cost of the service.

**9. Conflict of Interest**

A Conflict of Interest Form as required by statute is included as Attachment C. This form must be completed and returned as part of the proposal. The form is intended to identify any potential conflicts that may exist in regard to the services described herein between the bank and the Corporation. Conflicts identified will be investigated and may disqualify a respondent from being considered for this proposal; this does not imply automatic disqualification.

**III. FINANCIAL ENVIRONMENT OVERVIEW**

The Corporation currently maintains eleven (11) accounts as described below. The Operating Reserve, Debt Service Reserve and Replacement Reserve accounts are required to be standalone accounts and see little or no activity on a monthly basis. Essentially all banking activity occurs in the Operating Account. All wires, securities transactions, and transfers process through this account. The Operating Account is used to cover accounts payable, payroll, employee deferred compensation and tax payments. The account also directly sends/receives ACH payments.

<b>Account</b>	<b>Average Ledger Balance</b>	<b>Account Type</b>
Operating Account	823,120	Standalone Int. Bearing
Sagebrush Debt Svc	90,912	Standalone Int. Bearing
Sagebrush Op. Reserve	23,195	Standalone Int. Bearing
Sagebrush Replacement	39,206	Standalone Int. Bearing
Bunker Debt Svc	22,851	Standalone Int. Bearing
Bunker Op Reserve	22,838	Standalone Int. Bearing
Bunker Replacement	35,392	Standalone Int. Bearing
Rita Blanca Reserve	4,495	Standalone Int. Bearing
Willows Replacement	52,309	Standalone Int. Bearing
Custodial DPA	158,706	Standalone Int. Bearing
Federal Grant Fund	251,909	Standalone Int. Bearing

Semi-monthly payroll checks are written from the Account for 18 employees for a total monthly payroll averaging \$148,000. Direct deposit is used currently by 100% of employees.

If used, the sweep of compensating or zero balance balances will be into an approved SEC registered government money market fund.

Any or all funds may be maintained and invested by the Corporation outside this contract. The Corporation will be under no obligation to maintain time or demand funds in the bank.

#### **IV. FINANCIAL INSTITUTION QUALIFICATIONS**

*The proposal must include a response to each question in this Section.*

##### **1. Creditworthiness**

In order to fulfill the Corporation's fiduciary responsibility to protect public funds, each bank, submitting a proposal shall:

- a. Provide an audited annual financial statement for the most recent fiscal period. The financial statements may be submitted in electronic form. The bank will be required to submit an audited statement to the Corporation each year of the contract period as soon as available. Confirm agreement to this requirement.
- b. Provide certification of the bank's Community Reinvestment Act (CRA) rating by the rating agency. The bank will be required to notify the Corporation of any change in this rating during the contract period, as soon as it is available. Confirm agreement to this requirement.
- c. Provide the bank's most recent four quarters rating from an independent rating agency such as Highline, Veribanc, or comparable rating agency. The bank will be contractually liable for notifying the Corporation within thirty (30) days of any change in this rating during the entire contract period. Confirm agreement to this requirement.

##### **2. Customer Service**

Service will be a focus of the evaluation. Describe the bank's philosophy and approach to satisfying this need.

- a. How does the bank intend to support the new and ongoing automation needs of the Corporation?
- b. How many individuals does the bank have in the local bank? How will the bank provide relationship support for banking services?
- c. What approach or service program functions will be instituted to provide the best service?
- d. What, if anything, is distinctive about the bank's approach to customer service?
- e. What is distinctive about the bank's approach to its service automation? What new services are planned which may impact the Corporation? When are these planned to be available?
- f. Provide the bank's availability schedule. Is there any bank availability policy which differs from the availability schedule? If so define specifically.
- g. Is the bank offering any transition or retention incentives? Describe fully and quantify completely.
- h. What support will the bank be able to offer the Corporation in a disaster situation to maintain stable banking functions? Focus on systems, telecommunications and power, operational facilities, and transportation.
- i. The Corporation requires the right to use a third party auditor to review the Corporation's accounts and transactions and the bank's records regarding the Corporation and its transactions at any reasonable time. Confirm agreement with this condition.
- j. If awarded the contract the bank will be required to review and provide certification to the Corporation's Investment Policy. These have been included as Attachment D. Confirm agreement to this condition.
- k. Provide a copy of all the agreements which will be required to be executed (depository agreement and service agreements.) These will be reviewed before award.

##### **3. References.**

List references from at least two comparable public clients. For each reference, include the length of time under contract, a client contact, title, and telephone number.

#### 4. Implementation timeline.

Provide the proposed, detailed timeline for implementation of the contract including the activities required by both parties and assignment of responsibilities during implementation.

- Note any provisions or requirements and when the implementation of services could or would be scheduled. (Specific information for lockbox implementation will be required below.)
- Denote any limitations.

### V. REQUIRED BANKING SERVICES

*The proposal must include a response to each of the questions in this Section and all associated fees must be detailed on Attachment A.*

#### 1. Account Structure

Under this contract the Corporation anticipates a consolidated account structure with either the Pooled Cash Account (as a master account) or each individual account swept daily to an SEC registered **government** money market mutual fund.

If a fee basis is used to pay for services rendered, the accounts may be swept to zero. If a target compensating balance basis is used to pay for services rendered, the accounts may be swept by the bank to the compensating balance. Interest from the sweeps will accrue and be credited to the individual accounts monthly.

- a. Describe the bank's ability to provide such a structure and provide a recommendation as to whether the individual accounts would be swept first to a master account or be swept directly from individual accounts. Include classifications of accounts (ZBA or other) to be used in the structure and their fees. (Attendant fees must be detailed for both on Attachment A if both methods are presented for review.)
- b. Will sweep activity be reported on a daily basis showing each debit and credit or only on a monthly basis?
- c. Will interest from the sweeps be applied at the account level?
- d. Provide the **net** rate history for the proposed sweep fund for the past year on Attachment B. More than one fund may be proposed for consideration.
- e. Provide the prospectus for the offered fund. A SEC registered government fund should be utilized for the sweep. Minimum amounts should be noted as well as any other requirements of the fund or bank.
- f. Are fees for sweep charged to each individual account or to the aggregate account?
- g. If the Bank can not provide a sweep mechanism, or if alternative account types are proposed for the accounts, describe the account structure proposed including the type of accounts (interest bearing, money market, ZBA, etc.) along with the overall account structure. What would the rate index basis be?

A repurchase agreement will not be acceptable as a sweep vehicle.

The Corporation may be required or may desire to open additional accounts or change accounts during the contract period. Any new accounts shall be charged at the same contracted amount.

#### 2. Automated Cash Management Information Access

The Corporation requires web-based, automated cash management services and daily balance reporting for timely access to balance information and transactions. It requires automation within the various service areas such as ACH and reconciliation. Imaging of all checks and image retention is required. Imaging of deposit slips and deposit items is preferred. Preferably statements and account analyses will be available in electronic form.

Minimum on-line services should include balance reporting, stop pays, positive pay exceptions, account transfers, and wire transfers. Daily balance reporting should include detail on all transactions (and trailers on ACH and wires) with summary reporting on closing ledger and collected balances along with one-day float, at a minimum.

- a. Fully describe the bank's on-line service capabilities. List system capabilities (i.e. balance reporting, wires, positive pay, stop pay, etc.) and describe any differentiation on transaction and summary account types. Are reporting processes and services web-based?

- b. Detail the availability of prior day and intra-day detail and summary reporting. When is prior day information available? Is intra-day information real-time or delayed? Specify.
- c. Detail the level of information available on both prior and intra-day reporting.
- d. Define the history retention features.
- e. Can customized reports draw across reporting modules and activities? Describe.
- f. Describe back-up procedures for use by the Corporation on any interruption in the automated system delivery of information.
- g. Describe the security protocol for online services. How is authentication and authorization provided? How is the administration of the security module established and maintained?
- h. What are the hours of available technical support? Where is the technical support located? How is it provided?
- i. Submit samples of major screens and reports available or provide a website and sign-on information for an on-line review of all the Corporation functions, if available. If not available, submit screen prints.

### **3. Standard Collection and Deposit Services**

Standard commercial deposit services are required. The Corporation anticipates 30 a month by staff. Deposits are batched with tapes attached. All deposits come from the Austin administrative offices.

All deposits received by the bank's established deadline must be processed same day. The bank shall guarantee immediate credit on all incoming wire transfers, on-us items, and U.S. government securities maturities and coupons. All other checks clearing will be based on the bank's published availability schedule. Failure to credit the account will require payment reimbursement to the Corporation at the then-current Fed Funds rate. Returned items are to be re-deposited automatically.

- a. What is the bank's daily cut-off time to assure same day ledger and, pending availability, collected credit at (a) banking center or (b) branch?
- b. Is there any limit to the number of deposits in one bag? Are these handled as separate advices?
- c. Are these advices available on-line? Preference will be given to electronic delivery. Are originals or images of originals with each advice?
- d. How does the bank handle discrepancies in deposit amounts? What settlement process is followed?
- e. How and when does notification of return items take place? List the elements reported (date, status of return, reference number, account numbers and routing number, amount, etc.)
- f. What type deposit bags are used or required? Are these available at cost from the bank?
- g. Are dual verification security measures used on all receipt of deposits at each type deposit location?
- h. Are any deposits or credits delayed for any reason?
- i. How much advance notice is required on coin and currency orders? Can orders be placed on line? Is there any minimum purchase requirement? What is the turn-around time on orders?
- j. Include a list of all the bank's deposit locations.

### **4. Remote Electronic Check Acceptance and Conversion**

The Corporation currently uses remote check acceptance through back-office conversion including deposit of both consumer and commercial checks.

- a. Describe the bank's process and capabilities in capturing checks remotely. Describe equipment needs and limitations.
- b. Does the bank provide remote deposit processing currently? Give two references for comparable entities including a contact name and number.
- c. What is the final cut-off time? Limit on number of transmissions per day?
- d. If a check is accepted and subsequently returned by the bank, what obligations does the Corporation have? The bank? How will collection be made?
- e. What options does the Corporation have in scanners for use with the process? Is this equipment available through the contract? List the equipment required along with its approximate cost(s).

## **5. Standard Disbursing Services**

Standard disbursing services are required to include the payment of all Corporation checks without charge upon presentation. The Corporation requires positive pay services.

The Corporation does not have a mandatory direct deposit policy but actively encourages its employees to move to direct deposit. Currently pay cards are not used.

- a. When is daily check clearing information available online through intra-day reporting?
- b. Does the bank image all checks? Are all checks truncated? What options are available?
- c. What level of reporting on received items is included? (check number, dollar amounts, value dates, transaction codes, etc.)

## **6. Positive Pay**

To safeguard against fraudulent checks, positive pay is required on all accounts. Currently positive pay is used on only one account. The Corporation requires positive pay services with complete indemnification for fraudulent checks. The proposal must provide a fully automated and web compatible transmission process. Transmissions are made as part of each check run. Manual check information should be able to be input and transmitted on line.

The Corporation may combine positive pay services with partial reconciliation services.

- a. Describe data transmission file and timing requirements for check registers.
- b. Is positive pay input for manual checks available on-line? Describe fully.
- c. Is exception reporting and handling managed totally online? Describe.
- d. Does the bank review exceptions such as encoding errors for possible repair before creating a Corporation exception item?
- e. How and when (at what time) is positive pay exception information reported to the Corporation? Is email notification available?
- f. What is the response deadline (at what time) for Corporation exception elections?
- g. Are all checks, including those received OTC by the tellers, verified against the positive pay file before processing? How often is teller information updated? If not verified, what are the process, liability, and security on over-the-counter transactions?

## **7. Wires and Internal Transfer Services**

The Corporation currently has approximately 150 outgoing and 15 incoming wires each month. Incoming wire transfers must receive same day credit. Wire initiation should be available over an automated system. The Corporation will require compensation for delays caused by bank errors at that day's Fed Funds rate.

- a. Can wires be initiated and monitored on-line?
- b. Can repetitive templates be created? Do repetitive or non-repetitive wires require additional authorization besides on-line?
- c. What authorization features are available on wires? Do you require dual authorization?
- d. Is future dating of wires available? How far in advance?
- e. State wire access and cut-off times.
- f. State the bank's policy on the use of ledger balances for outgoing wires in anticipation of daily activity or incoming wires.
- g. Is the ability to do internal transfers available on-line? Is there a charge for account transfers?

## **8. ACH Services**

ACH service is required for payroll direct deposit (approximately 36 per month), limited direct debits and transfers. The Corporation requires pre-notification.

- a. Is ACH service fully available on-line for individual transactions as well as by transmission for batched files? What are the cut-off times?
- b. What is the policy on and handling of ACH returned items?
- c. Can ACH items be future dated? How far in advance?
- d. What specific filters and blocks are available on the accounts? Describe all your fraud filter options.
- e. What options are available for reversals and deletions?
- f. Are ACH addenda shown in their entirety on-line and on reports and statements?
- g. Does the bank routinely pre-note? Is the pre-note charged as a standard ACH transaction?

## 9. Investment of Idle Funds and Safekeeping Services

All Corporation investments will be made by the Corporation or its investment adviser and instructions for safekeeping will be given to the bank by an authorized staff member or the adviser. The bank will be required to provide book-entry safekeeping services through the bank or a correspondent. All securities must be cleared on a delivery versus payment (DVP) basis and ownership documented by original safe-keeping receipts/report. All interest payments and maturities shall be given immediate credit.

The Corporation anticipates an average of between five (5) and fifteen (15) securities in Federal Reserve Bank or Depository Trust Company safekeeping at any time. Ownership of the securities must be perfected and evidenced by an original safekeeping receipt sent directly to the Corporation within one business day. The bank's brokerage services will not be used.

- a. Is on-line information available for securities?
- b. Identify any correspondent bank used for custody.
- c. Are fees charged for individual clearing, safekeeping and income distribution or are fees bundled?

The Corporation may choose to purchase time deposits from the bank but all time deposits will be competitively bid. The bank may provide a set basis for establishment of CD rates if desired.

## 10. Collateral Requirements

Corporation funds are public funds and fall under provisions of the Public Funds Collateral Act (Texas Government Code Chapter 2257) with additional restrictive Corporation requirements. If funds are, for any reason not swept, all un-invested time and demand funds above FDIC insurance coverage must be collateralized to **102%** with securities authorized by the Corporation. Authorized collateral will include only:

- Obligations of the U.S. Treasury
- Obligations of U.S. Agencies and Instrumentalities (excluding letters of credit) and including mortgage backed securities which pass the *bank test*

All securities pledged to the Corporation will be held by an approved independent third party institution outside the bank's holding company. The bank will be responsible for the pricing of securities and continuous monitoring and maintenance of margin levels. The custodian shall provide a monthly report directly to the Corporation on the collateral pledged.

A tri-party collateral agreement shall be executed under the terms of FIRREA (with the exception of the Federal Reserve for which a Circular 7 will be used) between the bank, the Corporation and the custodian and approved by resolution of the bank's Board or Loan Committee.

If collateral pooling is approved by the State Legislature during the period of this contract, the Corporation reserves the right to choose or not to choose this pledging mechanism.

If, for any reason, funds are not swept to overnight investments, collateral will be pledged against total deposits held and the following conditions must be met. Acceptance of these requirements must be stated.

- Collateral must be held in an independent third party bank outside the bank's holding company.
- All deposits will be collateralized at **102%** of principal plus accrued interest at all times above FDIC insurance coverage.

- The bank is responsible for the continuous monitoring and maintaining of collateral margin requirements.
- Pledged collateral will be evidenced by original safekeeping receipts/report sent directly to the Corporation by the custodian and the Corporation will receive a report of collateral pledged including description, par, market value, and cusip monthly.
- Substitution rights will be granted if the bank obtains the Corporation's prior approval and if substituting securities are received before previously pledged securities are removed from safekeeping.
- The bank shall execute a tri-party safekeeping agreement with the Corporation and the safekeeping bank for custody of pledged securities in full compliance with FIRREA not less than five days before commencement of the contract.
- All necessary collateral will be in place five days before initial deposits are made.
- The Custodian will provide monthly collateral reports directly to the Corporation.

Confirm understanding and agreement to these conditions.

### **11. Account Analysis**

A monthly account analysis report shall be provided for each account and on a consolidated account basis.

- Provide a sample account analysis and state when the analysis will be available each month.
- Is the analysis provided on-line?
- How long are analyses maintained on-line?

### **12. Monthly Statements**

The bank will provide monthly account statements on individual accounts and on a consolidated account basis. All accounts are on a monthly cycle. Timeliness is critical.

- Provide a sample statement.
- Is the statement available on line? Also in paper form?
- How long are statements maintained online.

### **13. Account Executive**

To insure smooth contract implementation and continuation, a specific account executive and back-up must be assigned to the Corporation account to coordinate services and expedite the solution of any problem. The account executive should meet with Corporation staff at least semi-annually on banking matters.

- How will the bank provide a structure for support to be provided by the bank? Explain how this support level will address problems and promote ongoing communications.
- Provide the name and title of the proposed account executive and backup.
- How are technical problems, questions, or changes to be handled? Daily operational difficulties?
- What kind of technical support is available after business hours and on weekends?

### **14. Overdrafts**

Every effort will be made by the Corporation to eliminate net aggregate daylight and overnight overdraft situations.

- State the bank's policy regarding aggregate overdraft charges and the fees, if any.

### **15. Stop Payments**

The Corporation currently averages two stop pays per year and requires a minimum six month stop pay period. An automated stop pay process is desired but not required.

- Describe the service and bank's policy on stop pays.
- How long will stop pays remain in effect?
- How is renewal or cancellation accomplished? Is there a fee for renewals?

- d. What is the deadline for same day action?
- e. Will the on-line system verify if the check was cleared before accepting the stop pay?

**16. Company Banking**

Describe any program the bank has in place to benefit the employees of the Corporation including services provided and applicable fees to the Corporation or employee.

- a. Is availability only for employees using direct deposit or on Corporation employment alone?
- b. List the services available to employees.