

# REQUEST FOR PROPOSALS: BANKING SERVICES

**2017 - 2020**



Tredyffrin Township  
1100 DuPortail Road  
Berwyn, PA 19312

Please direct all inquiries to:

Joseph F. DiRocco, CPA  
Director of Finance  
610-644-1400

Issued July 18, 2017

Response deadline:  
**Monday, August 7, 2017 by 2:00PM**

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## SECTION I INTRODUCTION

Proposals for banking services will be accepted by Tredyffrin Township at the following address:

Joseph F. DiRocco, CPA  
Director of Finance  
Tredyffrin Township  
1100 DuPortail Road  
Berwyn, PA 19312  
Re: RFP-Banking Services

All respondent banks must send either two sealed copies of their proposals to the above address or one electronic copy to [jdirocco@tredyffrin.org](mailto:jdirocco@tredyffrin.org). The proposals must be received and in the possession of the Director of Finance by 2:00 pm, Monday, August 7, 2017. Proposals received after this date and time will not be considered.

All proposals will be opened on Monday August 7, 2017.

Any inquiries regarding these bids should be made in writing to Joseph DiRocco at the address listed above or via email to the email address listed above by Monday, July 31, 2017. Any additional information given as a result of inquiries will be shared with all participating banks.

### BACKGROUND AND OBJECTIVES

Tredyffrin Township is a Township of the second class, Home Rule Charter located in Chester County with a population of 30,000. The Township is a local governmental unit created by the Commonwealth of Pennsylvania to provide services to its residents.

Tredyffrin Township provides services through its eight operating departments that are funded by the Township, the Commonwealth of Pennsylvania, and the Federal government: Police, Library, Public Works, Planning & Zoning, Engineering, Finance/HR, IT and Administration. The Township also operates various wastewater pump stations which are operated as an enterprise fund.

In addition, the Township has a municipal authority which is comprised the following:

- Transportation – Financing Authority for Transportation Improvement Projects
- Utility – Financing Authority for Township Wastewater Treatment Facilities

For the purposes of this proposal the accounts included in the bidding process are for Tredyffrin Township, the Tredyffrin Township Municipal Authority and those accounts holding funds for regional cooperative ventures, like the Valley Creek Trunk Sewer and related facilities which serve several municipalities in the region. The Township maintains various accounts, a complete listing is attached as "Attachment B". As part of this RFP, the Township is looking to consolidate the number of accounts it maintains.

The Township prints its own checks out of the General Fund Checking account for accounts payable. The Township utilizes a third party for the payroll process.

The objective of this request for proposal is to identify and select the banking institution that can offer and provide the highest quality services at the lowest cost to our organization and the taxpayers of Tredyffrin Township. As you will see when you review this proposal, we are interested in obtaining the best mix of services to meet our specific banking needs. The Township is soliciting proposals from qualified banking institutions to provide the various core banking services, including: checking accounts; saving accounts; account reconciliation services; account analysis reports; lockbox service; wire transfers; investment and custodial services; on-line banking services; and special services/programs for Township employees.

An important aspect of this proposal is to obtain market rates (federal funds rate) of interest on all funds held in our accounts with limited associated risks. Tredyffrin Township is both authorized and limited to the investment of excess funds by the Pennsylvania Code. Also, the code allows the Township to authorize the collateralization of our funds to be pooled with the collateral of other public bodies in accordance with Act 72 of 1971 and the United States Circular No. 92. We expect that all funds in excess of the FDIC insurance level will be collateralized in accordance with Act 72.

The goal of this request is to select the banking institution that can: (1) best consolidate the bulk of Township banking services in order to take advantage of economies of scale in cash management and to reduce aggregate costs; (2) maximize invested funds by utilizing state of the art cash management techniques; and (3) provide for the safe, timely, and convenient collection and deposit of Township funds.

#### LENGTH OF CONTRACT

Tredyffrin Township is interested in establishing a stable relationship with the successful organization. To do this, we would like to develop an agreement with the term of three (3) years with an option to renew for additional years. After the initial three years, fees can be renegotiated should this be deemed necessary.

The contract may be terminated by either party with a 90-day written notice. Should the bank prematurely terminate the contract, all of the Township's costs to establish a new banking agreement will be the responsibility of the terminating bank.

Also, Tredyffrin Township will have the right to terminate the agreement immediately should information be received that causes the Township reasonably to be concerned with the

creditworthiness of the bank or adverse changes to the portfolio collateralizing of our funds held by the bank.

### SELECTION CRITERIA

We will evaluate each proposal received based on the following criteria:

1. Creditworthiness
2. Investment of Funds and Earnings
3. Cost of Services
4. Ability to Provide Services Efficiently and Effectively
5. Funds Deposited in Accordance with all Federal, State, and Local Laws

The respondent must: be a qualified public depository; meet the minimum requirements set forth in this RFP; provide the requested financial information to determine its financial strength; have the ability to supply an appropriate level of service for the scope of services described herein; and have at least one branch within a 5 mile radius of Tredyffrin Township. Although not required, the Township does prefer to have a branch within the Township.

### TERMS AND CONDITIONS

Be aware that this is not a competitive bid situation and, therefore, is not required to be conducted in accordance with the laws governing competitive bidding requirements.

The terms and conditions of this proposal process are as follows:

1. Reserve the right to reject any or all proposals/bids;
2. Waive any irregularities or informalities and select the best proposal/bid in the opinion of the Township;
3. May render the bid invalid due to unauthorized modifications of bid specification forms or terms.

The Contract term will be three years, starting on October 1, 2017, with an option to renew for an additional two years at the discretion of the Township. Based on the results of the proposals, a recommendation will be made to the Board of Supervisors who will make the final selection decision of the banking institution. Either party can terminate the subsequent agreement on 90 days written notice.

## SECTION II – SCOPE OF BANKING SERVICES

This section describes the services the Township intends to use as a bank customer and the services which are currently being provided. There are questions embedded in this section which are repeated in the proposal instructions.

Our objective in requesting services is to more effectively and efficiently operate our cash management system. We use services only when we feel there is a true cost/benefit relationship. Therefore, please keep this in mind as your response is prepared. Should you determine that additional services are valid, please include this in your response.

The services are organized based on the following categories:

- Collection Services
- Disbursement Services
- Reporting Services
- Investment Services & Collateralization

### COLLECTION SERVICES

Collection services are those services related to the acceleration of the availability of funds for investment or disbursement.

#### Wire Transfers

Tredyffrin Township receives funding from various parties through ACH and wire transfers. Also, we use wire transfers to move funds between financial institutions for investment purposes. The Township intends to consider these incoming wire transfers as “available for investment” either by the Township or the bank through the concentration account investment vehicle.

#### Over the Counter Deposits

The Township collects various revenues and fees for which cash and checks are received for payment. A staff member prepares deposits on a daily basis.

Again, the check-clearing time is vital in an effective cash management system. Uncollected funds are not available for immediate investment. With the understanding that most checks received by the Township are drawn on local banks, please provide us with your check-clearing method and policy to identify the time it will take for the deposited funds to become collected and available for investment. (See Response to Proposal No. 2 – Attachment C).

#### Remote Deposits

The Township would like to utilize a check scanner in order to increase staff efficiency and reduce the time it takes to make funds available for investment.

### Lockbox Collections

The Township requires lockbox services for the collection of real estate tax bills. The use of lockbox is only for a few months each year.

The check-clearing time is vital in an effective cash management system since uncollected funds are not available for immediate investment. Most Township over the counter and lockbox deposits are drawn on banks that have local branches even though the banks may be headquartered outside of the Philadelphia area or out of state. Be sure to provide a detailed check-clearing policy and schedule that clearly details deposit availability for withdrawal and for investment for checks that are On Us, in the same Fed district, in the Commonwealth of Pennsylvania, and in other Fed districts. (See Response to Proposal No. 2 – Attachment C).

## DISBURSEMENT SERVICES

Disbursement services are those relating to the disbursement of funds from the bank.

### Wire Transfers

Wire transfers are initiated by the Township to transfer funds from our bank accounts to other financial institutions for investment purposes. Also, we make various payments with wire transfers.

The Township agrees to initiate all Fed wire or book transfer requests by noon. Wire transfers ordered by noon and not received by the destination party by 2:00 p.m. will be traced 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 the bank's failure to consummate an investment transaction.

The Township requires the ability to send and receive wire transfer from all of the accounts listed in Section I. Please supply a sample wire transfer agreement, including daily deadlines for receiving and sending wire transfers.

### Account Reconciliation Service

The Township requires a system which allows us to obtain an electronic listing of cleared checks from the bank. The information must include check number, amount, and date paid.

The Township is interested in exploring full reconciliation and positive pay services. Please be sure to include details about these services in your response.

## MONTHLY REPORTING

The financial institution will, on a monthly basis, provide the Township with a detailed statement of activity listing each transaction and ending daily bank balance. Also, a listing of the cleared checks in numerical order must be provided. This listing should include the check number, check clearing amount, and the date the check was cleared. Also, this report must include a total of cleared checks for the month. The Township should receive these reports by the fifth (5<sup>th</sup>) business day of the following month.

The Township requires a detailed account analysis statement that includes each account listed in Section I of this RFP. This analysis should include all account charges for the period. Please include sample analysis statements and the frequency with which they are available. Also, please supply sample copies of bank statements and the frequency with which they are available. In addition, please indicate the frequency cancelled checks, debit/credit memos and deposit/transfer tickets are available.

## ON-LINE BANKING SERVICES/ELECTRONIC REPORTING

The Township requires the use of an online banking system which offers the following online capabilities:

- Previous and current day balance and transaction reporting
- Transaction initiation of repetitive and non-repetitive wires and book transfers
- Initiation of transfers between Township accounts
- Transmittal of stop payments
- Querying & printing reports

It would also be helpful if this same platform could provide images of checks paid on the Township's accounts and could serve as the platform for the provision of full recon and positive pay services, if utilized by the Township.

It is important to the Township that these services be available between the hours of 8:00 a.m. and 5:00 p.m. The Township requires that these services be offered via a web based product.

## INVESTMENT SERVICES & COLLATERALIZATION

The effective and efficient cash management system accelerates receipts of funds, delays disbursement of funds, and minimizes idle cash balances. Each of these objectives has been discussed in detail previously within this section of the Request for Banking Services. However, a truly exceptional system should be measured on the full investment of cash at market rates with very little or no risk associated with the program.

Since banks have so many differing investment products, please provide us with your detailed suggestions relating to the investment vehicle you will provide us. These suggestions must include the following information:

1. Explain the calculation of the daily interest rate including the specific interest index and source of information (i.e. Wall Street Journal, Bloomberg, etc.).
2. Explain the calculation of interest earned on a monthly basis (i.e. 360-365 day basis, average daily balance, average monthly interest rate, calculated daily based on daily rate and daily balance).
3. Provide description of the amount of cash balance on which the interest calculation is based such as collected funds and reserve amounts.
4. Any additional information you deem necessary for the Township to fully understand your suggested investment vehicle.

With respect to the standards for collateralizing public deposits under Act 72 of 1971, Please complete the following table with a *Yes* or *No* answer:

<b><u>Insurance and Collateralization Questions</u></b>	<b><u>Yes / No</u></b>
1. Will the collateral be marked to market at least once a month?	
2. Will the market value of the collateral be equal to at least 102% of the amount of the applicable public deposits (in excess of FDIC insurance)?	
3. Will the collateral consist solely of either full faith and credit obligations of the United States government or fixed rate obligations of agencies or instrumentalities of the United States Government?	
4. Will the collateral be held by the custodian in a separately designated Act 72 pledge account (the "Act 72 Account")?	
5. Will the bank automatically provide the Township an Act 72 letter on a monthly basis with information regarding the aggregate applicable public funds deposits being secured by the collateral and a listing of the collateral?	
6. Will the collateral presented to the Township show both the market value and the book value?	
7. Will the bank determine the value of collateral in good faith based on a nationally recognized valuation source?	
8. Will the bank provide in its monthly report and in writing its collateralization policies and procedures (e.g., specific securities used as collateral, valuation source, frequency and methodology, safekeeping of collateral, collateral margin relative to Township deposits and other public fund deposits, procedures for curing collateral valuation deficiencies)?	
9. Will the bank periodically provide financial data with regards to its credit ratings and credit standing?	

Please provide a collateral report as of June 30, 2017, that shows:

- Total balance of public funds secured in the pool less the portion covered by FDIC
- Total market value of securities in the pledged portfolio
- Full description of each security held in the Act 72 pledge account including security description (issuer name, CUSIP, coupon rate, maturity date, etc.), book value, and market value as of June 30, 2017.

**Please understand the Township is conservative and adverse to risk.** However, a well-administered cash management system can provide market rates of return without exposure to risks.

### THIRD PARTY SERVICE PROVIDERS

Please describe any pertinent information on the bank's third party service providers and if the bank has any plans to make all service in-house. We are interested in understanding if the bank uses a third party service provider for any of the following services:

- Wire room
- Web reporting
- Lockbox department

### OPTIONAL SERVICES

The Township is interested in instituting and/or continuing the following services and requests that your bank provides information concerning availability and cost.

#### Township Employee Services

The Township understands that banks often provide special account programs or services to municipal government employees when combined with direct deposit of payroll. Please detail any special services that your bank would provide to Township employees.

#### Community Sponsorship

The Township's current depository institution seldom sponsors a summer concert series and other miscellaneous activities. Please indicate sponsorships provided by your institution (if any) to other municipal governments in the Commonwealth of Pennsylvania and indicate if your institution is willing to sponsor community activities for the Township. If your banking institution is prepared to support events for Tredyffrin Township, please specify examples of services that you could provide the Township.

### **SECTION III – BANK CREDIT EVALUATION**

Although properly structured collateral offers the Township very good insurance against financial institution credit problems, we would be remiss in not evaluating the prospective bank's creditworthiness. Although this will not be the primary evaluating criteria, it will be used to include a financial institution in our proposal process.

The Township will utilize the standard rating services to evaluate your financial institution. Should you be rated unfavorably by this rating system, we will notify you of this fact and allow you to respond accordingly. Additionally, please include your audited financial statements for our review. (See Response to Proposal No. 9 – Attachment C).

Each bidder will also submit the following information: independent audited financial statements for the last two fiscal years, including Auditor's Opinion; balance sheet; income statement; statement of changes in financial position; and notes to the financial statement.

Each bidder shall submit the following ratios based on the most recent Uniform Bank Performance Report or equivalent statement: primary capital to total assets; equity growth to asset growth; loan loss reserves to total loans; and percent of non-performing loans.

Each bidder will disclose whether it is currently or has been since January 1, 2015 under the management supervision of any federal or state regulatory agency.

Each bidder will also disclose whether it has been acquired by another bank since January 1, 2017, or is currently in negotiations to be acquired or to purchase another financial institution.

#### Client References

Each bidder shall provide a list of five current business clients, including municipalities or other government jurisdictions located in the Commonwealth of Pennsylvania, as references. The bidders shall include the name and mailing address of the company along with a contact name and telephone number.

#### Bank Branches and Personnel

Each bidder will provide the address and operating hours of the bank's branch, which the Township would most regularly conduct business, and the address of all branches located in Montgomery, Delaware, and Chester Counties. The bidder will also provide the names and the professional backgrounds of the following personnel that would be expected to deal with the Township on a regular basis: the branch manager, a cash management representative, a regional vice president and/or municipal services representative.

## **SECTION IV – BANKING SERVICE FEES**

Since banking services can be paid for by one of the two methods, we are requesting that your proposal response include both the compensating balance and direct charge methods.

Please describe the method used to determine the average collected or available balance and the method used to calculate the earnings allowance on the compensated balance.

Please provide us with the per item cost and the annual costs for each service. Also, please provide us with your compensated balance calculations and your policies relating to the evaluation of this established balance.

## **SECTION V – PROPOSAL INSTRUCTIONS**

### PRE-PROPOSAL MEETING

A pre-proposal meeting will be held at the Township Building on July 31, 2017 at 10AM and will end no later than 12PM to further clarify any items contained within this request. Any additional information given as a result of inquiries will be shared with all participating banks.

### RESPONSE TO PROPOSAL

See Attachments A-D.

Please complete Attachments A, C, and D. Should additional space be necessary for a complete response, please attach a sheet of paper, and return accordingly. Attachments C through D may be provided in electronic (Word and Excel) format upon your request.

**THIS PROPOSAL  
ATTACHMENTS A, C, and D  
MUST BE RECEIVED BY  
TREDYFFRIN TOWNSHIP BY  
2:00 pm  
AUGUST 7, 2017**

**TO THE ATTENTION OF:**

Joseph F. DiRocco, CPA  
Director of Finance  
Tredyffrin Township  
1100 DuPortail Road  
Berwyn, PA 19341

**NAME OF BANK:** \_\_\_\_\_

**CONTACT PERSON:** \_\_\_\_\_

**STREET ADDRESS:** \_\_\_\_\_

**CITY/STATE/ZIP:** \_\_\_\_\_

**TELEPHONE NUMBER:** \_\_\_\_\_

**FAX NUMBER:** \_\_\_\_\_

RESPONSE TO PROPOSAL

Due to Tredyffrin Township No Later Than 2:00 pm on August 7, 2017

**Note: This attachment is available to be e-mailed to your banking institution for completion if requested.**

1. Please indicate any **deviations** from the conditions relating to banking services contained in **Section II – Scope of Banking Services.**

Are length and general term of agreement acceptable?

2. Provide the check **clearing method**, schedule, and policy to identify the time deposited items become available for (a) **investment**, and (b) **disbursement** to include cash, local, out of state, and federal deposits.
3. Each bidder is asked to respond to the following questions regarding **lockbox services**:
  - a. Please provide the lockbox location (address) that will serve the Township. Is this location part of the bank or a third party service provider?
  - b. Please describe how mail is routed from the post office to the lockbox department. Be sure to include how many times a day mail is delivered.
  - c. Describe your system of monitoring mail from delivery until the checks are deposited.
  - d. What is your bank's average error rate per 1,000 items processed? Is there a formal procedure for responding to error and adjustment inquiries from lockbox customers?
  - e. Please describe the bank's back-up or business resumption arrangements if the primary site experiences a failure.
  - f. What is the bank ledger cutoff time for lockbox deposits? What is the latest mail pickup to be included in the last deposit? Will the bank process and deposit all of the Township's payments on the same ledger day as they are received? If not, when are these items deposited?
  - g. Please describe how the bank will compute the availability that is passed to our lockbox (e.g., by item, fractional availability, float factor or other).
  - h. Will the bank provide customized data formats as well as Bank Administration Institute (BAI) formats? Is there a charge for programming?
4. Please provide a description of **the recommended account structure**, including the basis for determining the amounts of funds invested and the method and basis for properly collateralizing funds.
5. Describe the different **reconciliation services** including the associated fees, if any, offered to the Township. Be sure to include complete descriptions on partial recon, full recon, and positive pay.

6. Please describe any product, including any associated fees, that your bank offers that would assist the Township in the provision of the implementation of an **ACH based collection service** for its Sewer revenues.
7. Describe the bank's **electronic reporting capabilities** to include: balance and transaction inquiry; transaction initiation (both intra-bank and ACH and fed wire system); and stop payment initiation. Include time of day information is made available and deadlines for initiation of different transfer types (wires, book transfers, inter-account transfers). Also include list price for various services discussed if any.
8. Provide a detailed description of the **investment vehicle** utilized. This must include the information requested elsewhere in the request.
9. **Credit criteria:**

Please include copies of your last three (3) **years audited financial statements**. The successful bank is required to provide the District with subsequent annual audit reports as they become available.

Each bank will submit with its proposal the following **statistics** based on information contained in the uniform bank performance reports, or in similar reports for calendar years **2014, 2015, and 2016 (and 2017 if available)**, and based upon Federal Reserve Bank definitions. Please specifically summarize:

- a. Primary capital to total assets
- b. Equity growth less asset growth
- c. Loan loss reserve to total loans
- d. Total relationships or accounts with deposits in amounts over \$1,000,000

As of January 1, 2017 and thereafter, each bidder will disclose whether it was acquired; did acquire; or will be acquired or acquiring another banking institution (if so, specify the institution, address, date of acquisition, and amount of assets acquired).

Include the names, addresses and phone numbers of at least **five** current business clients, preferably governmental units, **as references**.

10. Complete **service fees summary (Attachment D)** and answer each of the following:
  - a. Permit redeposit of NSF checks? Yes/No
  - b. Assess FDIC insurance cost? Yes/No
  - c. Assess 10% reserve requirement? Yes/No
  - d. Provide lock deposit bags free of cost? Yes/No
  - e. Provide all three part deposit tickets free of cost? Yes/No
  - f. Provide night deposit bags and facilities free of cost? Yes/No
  - g. Provide interest earning on all Township checking accounts? Yes/No

11. Using the service fees summary, prepare the **calculation of the compensating balance** if any fees are proposed. Also, provide your **policies** relating to the evaluation of this established balance.
12. Explain the **calculation of the earnings credit rate**, and provide monthly earnings credit rate **history** for July 1, 2016 through June 30, 2017, and basis of rate. Please list the index by which the earnings credit rate will be benchmarked. (Example: federal funds rate plus 50 basis points, 90 day treasury rate plus 50 basis points, etc.).
13. Provide monthly history of **interest rates applied** to checking account balances for the period July 1, 2016 through June 30, 2017. If your bank uses sweep investment funds, then please provide **monthly averages** for the same period and indicate all fees assessed for investment sweep. Please list the index by which the interest rates will be benchmarked. (Example: federal funds rate plus 50 basis points, 90 day treasury rate plus 50, etc.).
14. Provide **timeframe** for monthly bank statement cutoff, delivery date, and posting of interest.
15. What time of day is the bank cutoff to **credit daily deposits**?
16. Specifically address items (a) through (e) under **the Insurance and Collateralization** section of the specification.