

# Request for Proposal Notice

for Depository Services by  
Junction Independent School District  
1700 College Street  
Junction, Texas 76849  
325-446-3537  
cheryl.herring@junctionisd.net

Junction Independent School District is soliciting proposals from banks to serve as a depository to assist with the banking functions for funds of the district.

## Introduction

In accordance with the Texas Education Code (TEC), Chapter 45, Subchapter G, School District Depositories, the Board of Trustees of the district will select a depository through soliciting proposals for a depository services contract for a term of two years beginning September 1, 2015 and ending August 31, 2017 or until a successor depository is selected, qualified, and agrees to a depository agreement based on either fees or compensating balances.

The district and the depository may agree to extend this contract for two additional two-year terms in accordance with the TEC, §45.205. This section requires that the contract and any extension of this contract coincide with the district's fiscal year. If the district changes its fiscal year, the term of the contract may be shortened or extended no more than one year by mutual agreement to coincide, provided that this contract remains in effect until its successor is selected and has been qualified. If the parties cannot agree, the district has the option to change the term of this contract.

The legal provisions providing for naming a depository of the district are set forth in the TEC, Subchapter G, School District Depositories, §§45.201 through 45.209. Investments by the district are governed by the Texas Government Code (TGC), Chapter 2256, Public Funds Investment. Securities pledged as collateral to secure district deposits are governed by the TGC, Chapter 2257, Collateral for Public Funds.

## Bank Questions

There will not be a preproposal conference. Questions regarding this proposal request, or the services requested, will be accepted in written or email form only, at the address above on or before 10:00 am on April 22, 2015. Responses to all material questions submitted will be communicated in writing or by email to all known interested banks by 5:00 pm on April 27, 2015.

## Proposal Submission

To be eligible for consideration under this request, the bank must submit three complete paper copies of each proposal by 2:00 pm CST on May 1, 2015 to the address below. The district will not accept proposals received after that time. Late submissions to the district address will be returned unopened.

The proposal must be submitted in a sealed envelope or packet marked "Depository Services." An accompanying transmittal letter must be signed by a person authorized to bind the institution, state that the proposal is valid for 180 days from the submission date, and give full contact information regarding the proposal.

Request for Proposal Notice for Depository Service

The proposals must be delivered by fax, US mail, email, or in person by 2:00 pm May 1, 2015 to:  
Junction Independent School District  
Cheryl Herring, Business Manager  
1700 College Street  
Junction, Texas 76849  
325-446-3537 phone  
325-446-4413 fax  
cheryl.herring@junctionisd.net

All questions in the attached uniform proposal blank should be answered and provided to the district as the bank's proposal.

The bank must attach a cashier's check in the sum of \$-0-(not applicable) payable to the district. If any portion of this contract is awarded to the bank, the check will be returned to the bank. If the bank fails to execute the contract in a reasonable time, the district will cash the check as liquidated damages. If the proposal is not accepted, the check will be returned to the bank immediately after contract award.

The district is providing this proposal request electronically. The fee schedule, Attachment A, is in Excel format. The bank must submit the proposal in both paper and electronic form.

**Evaluation Process**

*[NOTE: According to the TEC, §45.206(d), the district must state the selection criteria and select the proposal based on the ranking in relation to the stated selection criteria.]*

The district will use the following criteria to evaluate the proposal and award the contract:

- 10 % - Cost of services (charges for keeping district accounts, records, and reports and for furnishing checks)
- 10 % - Additional services offered (purchasing card, payroll card, lease rate, other)
- 20 % - Funds availability schedule
- 10 % - Automated services offered
- 10 % - Ability of the bank to provide the necessary services and perform the duties as depository. Experience in providing depository services to similar accounts (strength of project team)
- 20 % - Collateralization policy and type of third-party institution holding collateral
- 10 % - Fraud prevention and notification policy
- 10 % - Interest rates offered on time deposits
- 10 % - Other — Specify: \_\_\_\_\_
- \_\_\_\_\_ - Total

The district reserves the right to reject any or all proposals and to accept the proposal the district considers most advantageous. If any portion or provision of this proposal and any contract between the depository and district entered into is invalid, the remainder, at the option of the district, must remain in full force and effect and not be affected. Acceptance of a proposal will be based on the total package of services offered by the bank.

## Request for Proposal Notice for Depository Service

### **Legislative Change**

Changes in the law that may be enacted by the Texas Legislature, in session, could alter the scope of requirements as stated in this document. The proposal should conform to all statutes in effect at the time of proposal opening.

### **Schedule for Selection Process**

The district will make every effort to adhere to the following schedule:

04/01/2015	Release of Request for Proposal (RFP)
04/22/2015	Deadline for questions concerning the RFP or services requested
04/27/2015	Responses given to any questions provided to all known interested banks
05/01/2015	Deadline for proposal submission
05/14/2015	District Board award of contract
09/02/2015	Contract commencement

### **Other Requirements**

The following requirements must be met:

1. The bank selected as the depository will notify the district in writing within 10 days of any changes in federal or state regulations or laws that would affect the depository agreement.
2. The depository's records relating to the district's accounts must be open to review by the district, its independent auditors, and the Texas Education Agency.
3. The district reserves the right to pay for depository services by targeted balances or by fees.
4. The district reserves the right to exclude direct payroll deposit service from the depository contract if the bank does not offer direct payroll deposit service.

### **District Rights**

The district reserves the right to:

- waive any defect, irregularity, or informality in the proposal or proposal procedures;
- reject any and all proposals;
- accept any proposal or portion thereof most advantageous to the district;
- request additional information or require a meeting with bank representatives for clarification;
- cancel, revise, or reissue this request for proposal or any portions of it,
- negotiate any conditions;
- retain all other provisions even if any provision of the proposal is determined invalid;
- modify deadlines; and
- select any proposal considered to be in its best interest as determined by the district.

**Attachment B**  
**District's Current Account Structure**

The district presently maintains accounts as listed below. The district reserves the right to open additional accounts or to close accounts during the term of the depository contract.

<u>Type of Account</u>	<u>Number of Accounts</u>	<u>Interest-Bearing/ Non-Interest-Bearing</u>
General Operating	1	IB checking
Payroll	1	IB checking
Activity	1	IB checking
Investment Account	1	IB savings
Johnson Foundation	1	IB checking

**Complex Example:**

**Attachment B  
District's Current Account Structure**

**VOLUMES**

<u>Type of Account</u>	<u>Average Number of Items</u>	<u>Average \$ Amount of Items</u>
Property Taxes		
Deposits	6 – 10 /month except daily November to January	
Payroll		
Monthly checks	400	
Monthly direct deposit	2,500	
Semimonthly checks	850	
Semimonthly direct deposit	850	
Weekly checks	400	
Weekly direct deposit	400	
Monthly payroll		\$11,000,000
Accounts Payable		
Monthly checks or payments	2,000	\$4,000,000
Food Service		
Daily deposits	35	\$45,000
Deposits		
Daily deposits	40	
Student Activity (Number of accounts)		
High School	3	
Middle School (deposit only)	6	
Elementary School (deposit only)	22	
Other	4	

**ACCOUNT STRUCTURE**

<u>Type of Account</u>	<u>Number of Accounts</u>	<u>Description of Accounts</u>
Controlled Disbursement	3	Payroll, Accounts Payable, Tax Office Refund
Depository Plus Accounts	30	Elementary & Middle School Activity Funds
Positive Pay	6	Payroll, Accounts Payable, Tax Office Refund, High School Activity Funds
Food Service	1	Depository Account — individually identified by campus
Checking	7	1 Operating; 1 Debt Service; 3 Construction; 1 Internal Service; 1 District Activity

# Proposal Form

for Depository Services  
by Junction Independent School District  
Date Delivered to Banks - April 1, 2015  
Date Proposal Due to Junction ISD - May 1, 2015

## Definitions and Instructions

In this document, the terms “you” and “your” refer to the depository bank, and “we,” “our,” and “us” refer to the district named above.

You must answer all questions in this form and provide it to us as your proposal.

We have the right to reject any proposal. If any part of this proposal or any contract entered into between you and us is invalid, the remainder, at our option, remains in force and is not affected.

## Bank Compensation

Do we have the option to pay for your services by targeted balances or by fees? Please describe any differences in related costs to us with either option. If we choose one option for the life of the contract, is there a difference in service fees?

### Compensation Based on a Targeted Balance

We may choose to pay for your services by maintaining a targeted amount of our funds in the depository. We will maintain balances in the checking accounts to compensate you in full or in part for services provided. You must provide a monthly account analysis that reflects the earnings credited for these balances.

You may invest any excess collected balance daily as directed by us in an overnight investment that we approve, an interest bearing account, or a money market mutual fund registered with the Securities and Exchange Commission (SEC). Please list below the overnight investment and any index upon which the rate will be based.

The rate history at your bank for the months beginning MM/YY and ending MM/YY was:

Earnings Credit Rate (ECR):	_____	%
Interest Bearing Accounts:	_____	%
Money Market Accounts:	_____	%
Sweep Accounts:	_____	%

*[Alternatively, the district may require the depository bank to complete the information by month according to Attachment A, Historical Information about the Bank.]*

If any of these rates is based on an index rate (such as the T-Bill auction rate), stipulate how you will use the index to calculate the rate.

**Compensation Based on Fees**

We may choose to pay for your services on a straight fee basis in which we will not maintain a targeted balance. You will assess fees, and we will pay them in accordance with your proposed fees as listed on Attachment A, Volumes for Pricing Transactions.

**District Investments**

We reserve the right to purchase, sell, and invest our funds and funds under our control, including bond funds, as authorized by the Texas Government Code, Chapter 2256, Public Funds Investment Act, and in compliance with our investment policy, a copy of which is attached as Attachment C *[alternatively, the district may provide the link to the investment policy on the district’s website].*

*[The district chooses to insert language of Option A or Option B]*

Option A

We may choose to invest in time deposits at the depository, but all investments including certificates of deposit are bid competitively at the time of purchase.

Option B

We may choose to invest in time deposits at the depository. You will pay interest on our funds placed in time deposits with maturities we chose. The interest rate spread on the deposits should be indicated as above, below, or equal to the “asked” yield on the comparable maturity T-Bill of the proposed time deposit being purchased as reported in an independent, financial source.

Single Maturity Time Deposits of more than \$100,000:

Maturity	Basis point spread over (+) or under (-) T-Bill "asked" yield <i>[District-specified rate]</i>
7 – 29 Days	_____
30 – 59 Days	_____
60 – 89 Days	_____
90 – 179 Days	_____
180 – 364 Days	_____
365 Days or More	_____

**Collateral**

You must provide either corporate surety bonds or pledged securities in accordance with the Texas Education Code (TEC), §45.208. Please specify which method you will use as collateral for our funds.

**Collateral Conditions**

You must provide collateral equal to 102 percent of all our time and demand deposits plus accrued interest minus applicable Federal Deposit Insurance Corporation (FDIC) coverage. Collateral will be pledged to us and held in an independent safekeeping institution by a custodian or permitted institution as specified by the Texas Government Code, Chapter 2257,

Public Funds Collateral Act. *[Alternatively, the district may specify any limitations on our preferred custodial arrangement.]* You will be liable for monitoring and maintaining the collateral and the required margin at all times and will provide an original safekeeping notice and a monthly report of the collateral including at least the security description, par amount, cusip, and market value.

You and we must execute a collateral agreement in accordance with the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). Provide a sample collateral agreement as Attachment D, Sample Collateral Agreement.

We estimate our maximum anticipated collateral requirement to be \$\_\_\_\_\_.

If voluntary collateral pooling is legislated during the period of this contract, you and we may consider it and agree to use it under this contract.

### **Eligible Collateral**

We will accept only approved securities as specified by the TEC, §45.201, as pledged collateral.

*[Alternatively, the district may require specific collateral in accordance with its investment policy. In that case, the district would refer to its investment policy and use the following paragraph instead:*

We will accept only the following as pledged collateral in accordance with our investment policy (see Attachment C, District Investment Policy):

*The district lists items here.]*

### **Banking Services Fees**

Based on the services we require from you, complete the proposed fee schedule, Attachment A, Volumes for Pricing Transactions.

### Depository Information

Please answer the following questions about your depository bank.

1. State the full name and address of the depository and any parent holding company. List all branch locations within our boundary.
2. Provide the Uniform Bank Performance Report (UPBR) reference or annual audited financial statement for the most current fiscal year. This may be in printed form, but we prefer an electronic link to the website. Members of your holding companies must include corporate annual financial statements and your individual call report for the most recent operating quarter.
3. State your rating from an independent depository rating agency or, if that rating is not available, the rating on your senior and subordinate debt. You must inform us of any change in this rating during the period of the contract within a reasonable period.

4. Contact Information

To ensure smooth communication and continuation of services, you must assign a specific account executive and a backup to our account to coordinate services and help solve any problem encountered.

- a. Designate a depository officer as a primary contact with us.

Name \_\_\_\_\_  
 Title \_\_\_\_\_  
 Telephone # \_\_\_\_\_  
 Fax # \_\_\_\_\_  
 Email \_\_\_\_\_

- b. Designate a depository representative as a backup contact with us.

Name \_\_\_\_\_  
 Title \_\_\_\_\_  
 Telephone # \_\_\_\_\_  
 Fax # \_\_\_\_\_  
 Email \_\_\_\_\_

- c. If the primary and backup contacts are not available, how do we contact someone in an emergency? After hours?
  - d. Describe in detail how you handle problem resolution, customer service, day-to-day contact, and ongoing maintenance for governmental clients. Please be specific about exactly whom we will be calling and working with for the situations described above.
5. List references from at least three of your current, comparable governmental clients. Include the length of time under contract and a client contact, title, and telephone number.

6. Based on the services we require, please provide a proposed timeline for implementing the contract; include the timeline activities and direct responsibilities of both our district and your depository bank during implementation.
7. Provide a copy of all agreements (including those not directly referenced in this proposal) that will be required under the contract.
8. If we award the contract to you, you must review our then-current district investment policy and certify in writing to that review in accordance with the Public Funds Investment Act verifying that you have sufficient controls in place to avoid transactions not authorized by the policy. *[The district specifies one: We have attached our investment policy to this proposal notice. or We have provided a link to our investment policy on our website.]*
9. We may conduct a preaward interview on-site at your depository bank before awarding the contract. Please provide us with a contact name for arranging the preaward interview.
10. Are you offering any transition or retention incentive to us? If so, please describe it in detail

## Banking Services

### 1. Consolidated Account Structure with Sweep Mechanism

We are interested in earning at then-current interest rates available at all times. We want the option to use an automated, daily sweep to a money market mutual fund or depository alternative account (if competitive) to reach our full investment goal. *[District option: We will not accept a repurchase agreement as a sweep investment vehicle.]*

Our current account structure is listed as Attachment B, District's Current Account Structure. We do not guarantee that we will maintain the balances at these same levels.

You must clearly describe your most cost-effective account structure (interest bearing accounts, zero balance accounts [ZBAs], or sweep, etc.).

- a. Fully describe the proposed account structure. Would a sweep be from a master account with ZBAs or directly swept from the individual accounts? Is interest distributed at the account level?
- b. State the average interest rate on the recommended alternative structure for the past 12 months.
- c. If an SEC-registered money market fund is used for the sweep proposal, provide the full name and a copy of the prospectus.
- d. Interest earned on interest bearing accounts must **not** be charged as an expense on the account analysis. Confirm acceptance of this condition.

We may be required or may desire to open additional accounts, close accounts, or change account types during the contract period. If this occurs, the new accounts and services must be charged at the same contracted amount or, if unanticipated, at not more than published rates.

### 2. Automated Cash Management Information

We are interested in automated balance and detail information. Minimum automated services must include the following *[The district specifies the requirements.]*:

- prior-day summary and detail balance reporting on all accounts
  - intraday detail and summary balances (on local main and payroll accounts)
  - initiation and monitoring of stop payments
  - positive pay exception transactions
  - initiation and monitoring of internal and wire transfers
  - image access
  - controlled disbursement presentment totals
- a. Fully describe your online service. **List** the system capabilities (for example, balance reporting, wires, positive pay, stop payment, etc.).
  - b. What is your backup process to report balances and transactions in case the system is not available?
  - c. When is daily balance information available?
  - d. Submit samples of major screens available, or provide web link access to a demonstration module.

- e. How is an individual security sign-on assigned, and who maintains the security module? How many levels of security are available?
- f. With regard to controlled disbursements:
  - What is the cutoff time for disbursements?
  - What Federal Reserve location do these accounts clear through?
  - How do we have access to this information?

### **3. Deposit Services**

We require standard commercial deposit services for all accounts.

We expect all deposited checks to clear based on your current published availability schedule, but please note any options for expedited availability in your proposal. For all cleared deposits you receive by your established deadline, you must process them for same-day ledger credit. If you fail to credit our accounts in a timely fashion, you must pay interest to us at the then-current effective federal funds rate.

- a. What is your daily cutoff time to ensure same-day ledger credit?
- b. Describe how and when you send credit and debit advices to us.
- c. What type of deposit bags do you use or require? Are these available from you?
- d. In what city does item processing occur?

#### **Remote Deposit**

We are interested in establishing remote check deposit for a few high-volume locations during the contract period. These deposits include both consumer and commercial checks.

- e. What are your current capabilities in remote check deposit? Describe how checks are processed and cleared. Please state the cutoff time for same-day ledger credit.
- f. Give two comparable references with contact information.
- g. Do you produce a daily balancing report? Provide a sample.
- h. What scanner equipment is required to operate the system? Is this equipment available through your depository bank for purchase or lease? Please list the equipment required along with its cost.

### **4. Standard Disbursing Services**

We are interested in standard disbursing services for designated accounts.

- a. Do you image all checks and deposits?
- b. Are check and deposit images available online? When? Do you provide a monthly compact disc (CD)? If not, are reports downloadable?
- c. How long do you maintain check and deposit images online?
- d. Do you pay all our checks without charge upon presentation?

### **5. Positive Pay**

We are interested in positive pay services for designated accounts on which checks are written. The positive pay process should be fully automated and web based. We will transmit check information electronically to you on each check run and as we create checks manually.

- a. Describe the data transmission and transfer requirements for automated and manual checks.
- b. Is input available online for manual checks? If it is not available online, how do we transmit information on individual manual checks to you?
- c. How can we change or delete check records, if necessary?
- d. How do you notify us of a positive pay exception?
- e. When do you report exception information to us? When is the deadline for our exception elections? Are images of exceptions available?
- f. Are all checks, including those received by the tellers and vault, verified against the positive pay file before processing? How often do you update teller information?
- g. Do you offer payroll positive pay?
- h. Please provide a copy of your file layout format.

## 6. Account Reconciliation

We anticipate using partial or full reconciliation services on all accounts in concert with positive pay, depending on cost effectiveness.

- a. Describe the partial and full reconciliation processes.
- b. With what format(s) does your system interface? What record formats are required? *[Alternatively, the district can specify its interface format for the depository to determine compatibility.]* How do you send reconciled data to us? When?
- c. Specify all reporting alternatives.
- d. Are reports available online? How long are reports maintained online? Provide a sample copy of reports.

## 7. Funds Transfer and Wire Services

Incoming wire transfers must receive immediate same-day collected credit. Wire initiation should be available online. We require that wires be released the same business day if information is provided by the established deadline.

- a. Describe the process of online wire initiation. What backup process is available for the online process in case the system is unavailable?
- b. Is any paper transaction required for transfers or wires as follow-up?
- c. How and when will you notify us of incoming wires? Online? Email?
- d. Is future dating available for both repetitive and nonrepetitive wires and transfers? How far in advance?
- e. What is the deadline for initiation:
  - by telephone?
  - online?
- f. Are templates available for repetitive transfers?

## 8. Optical Imaging

We desire optical images that are downloadable or on CD on all accounts.

- a. What items and reports are available online (checks, statements, deposit slips, deposited items, etc.)?

- b. What items are captured on the monthly CD, if provided?
- c. When do you make the monthly CD or imaged reports available?
- d. When and for how long are statements and account analyses available online?

## 9. Automated Clearinghouse (ACH) Services

We expect to use more ACH transactions for payable and receivable transactions. We require a prenotification (prenote) on all new transactions.

- a. Describe the transmission alternatives for individual ACH transactions. Can we initiate individual ACH transactions online?
- b. What filters and blocks are available on our accounts for ACH transactions?
- c. Are ACH addenda shown in their entirety online and in reports?
- d. What is your policy on prenotification? Is the prenote charged as a standard ACH transaction?
- e. What is the deadline for transmission (hour and day) for a payroll to credit employee accounts on a Friday?

## 10. Investments and Safekeeping Services

We will require you to provide book-entry safekeeping services for any securities we own. We will make all our investments and transmit instructions for clearing and safekeeping to you in writing.

All securities must be cleared on a **delivery versus payment (DVP)** basis. Ownership must be documented by original clearing confirmations, and safekeeping of receipts must be provided within one business day of the transaction. Funds for investments must be drawn from our designated demand deposit account. All principal and interest payments, coupon payments, and maturities must receive automated same-day collected credit on our designated account without requiring any additional action by us.

If you are not a member of either the Federal Reserve or a Federal Home Loan Bank and you use a correspondent bank for safekeeping our securities, the transactions must be handled through your systems and must not require additional interaction by us with the correspondent bank. No delay in transactions, wires, or flow of funds is acceptable under a correspondent relationship.

- a. Are you a member of either the Federal Reserve or a Federal Home Loan Bank? If not, name the correspondent depository you would use for clearing and safekeeping. Describe any safekeeping arrangement proposed with a correspondent depository including processing requirements by us.
- b. Are security transactions available online for either originating or monitoring?
- c. What is the deadline for settlement instructions on a cash (same-day) settlement? Would we incur any charge for late instructions?

We may choose to purchase time deposits from you, but all time deposits will be competitively bid at the time of purchase.

## 11. Collateral Requirements

You must meet all the requirements, including those beyond the Public Funds Collateral Act, as stated in our investment policy and below. The proposal must state that you agree to the following terms and conditions:

- All collateral pledged to us must be held by a custodian or permitted institution as specified by the Texas Government Code, Chapter 2257, Public Funds Collateral Act. *[Alternatively, the district may specify any limitations on its preferred custodial arrangement in its investment policy.]*
- We, you, and the safekeeping bank must execute a triparty safekeeping agreement for custody of pledged securities in full compliance with the FIRREA requiring a depository resolution. (Or completion of Circular 7 if a Federal Reserve bank is acting as custodian. Even if a Federal Reserve bank is used, you and we must still execute a depository agreement.)
- All time and demand deposits above FDIC coverage must be collateralized at a minimum of 102 percent of principal plus accrued interest at all times (110 percent on mortgage-backed securities).
- You are contractually liable for continuously monitoring and maintaining collateral at our required margin levels.
- The custodian must provide evidence of pledged collateral by sending original safekeeping receipts or a report directly to us within one business day of receipt.
- We must receive a monthly report of collateral pledged including description, par, market value, and cusip, at a minimum.
- We must grant substitution rights if you obtain our prior approval and if substituting securities are received before previously pledged securities are removed from safekeeping.

Authorized collateral includes only approved securities as specified by the TEC, §45.201. *[Alternatively, the district may specify any limitations on its preferred collateral requirements as stated in its investment policy.]*

- a. Do you propose any collateral charges? If so, under what conditions are they charged, and how is the charge applied?
- b. What is your deadline for requesting collateral in excess of existing requirements?

## 12. Account Analysis

You should provide monthly account analysis reports for each account and on a consolidated account basis.

- a. When is the account analysis available each month?
- b. Is the account analysis available online? Is it imaged monthly?
- c. Are paper statements also sent to us? If so, when?
- d. How long will it take you to correct any billing errors on the account analysis?

## 13. Monthly Statements

You must provide monthly account statements on all accounts with complete supporting documentation.

- a. State when monthly statements will be available each month.

- b. Is the monthly statement available online? If so, when and for how long? Are the statements imaged or on a CD?
- c. If imaged, are paper statements also sent to us? If so, when?

#### **14. Overdrafts**

- a. Are all accounts aggregated for overdraft calculation purposes?
- b. State the rate basis for intraday and interday overdrafts.
- c. What is the policy for daylight overdrafts?

#### **15. Stop Payments**

We desire an automated stop payment process.

- a. What are the time period options available for stop payments?
- b. What are the options for extended stop payment periods? How are they extended?
- c. What is the cutoff hour for same-day action on stop payments?
- d. Can we initiate stop payment orders online? If so, do you require any paper follow-up document?
- e. What information on current and expiring stop payments is available online?

#### **16. Customer Service**

Do you offer customer services in languages other than English? What languages are offered?

#### **17. Service Enhancements**

Based on the information you provide in the proposal and your knowledge of the public sector, please describe any services or technological enhancements, not previously mentioned, that we should consider to manage our treasury operations more effectively.

## Optional Services

### 1. Nonsufficient Funds (NSF) Checks Re-presented as ACH (Re-presented Check [RCK] Entry)

We may want the option of the second presentment to be made by ACH to targeted dates for maximum collection potential.

- a. Are you currently using ACH for collection of NSF checks? How long have you been providing this service? Provide two comparable references with contact information.
- b. How are the NSF and the later ACH transactions matched and reconciled? Does your system cross-reference the two transactions in any way?
- c. Is the NSF information, image, or occurrence available online? When and how? For how long is it available online?
- d. Can we specify any target pay day(s)?

### 2. Merchant Services.

We currently accept Visa, MasterCard, American Express, Discover, and debit card payments approximating \$\_\_\_\_\_ in collections per month with an average ticket size of \$\_\_\_\_\_. There are \_\_\_\_\_ (specify number) locations with \_\_\_\_\_ (specify number) terminals. *[Alternatively: We are interested in possibly accepting credit card payments for various activities.]* The service should include daily capture, transmission, and authorization of payments at point of sale and on the web. The service must include reporting by location.

*[The district inserts this statement if it is true: We can and do comply with Payment Card Industry Data Security Standards.]*

- a. Do you currently offer merchant card processing services? How long has this service been available? What interface format(s) does your system supply?
- b. How many institutions and end customers do you have?
- c. Describe the fee components of a merchant card processing relationship. Provide a list of all the fees to us. State the association fees, the discount rates, and your fee per transaction.
- d. Do you have software that allows online payments to us through your portal?
- e. Describe the reporting functions and data availability.
- f. Describe billing options.
- g. Describe the authorization method or process used. How are incorrect authorizations reversed?
- h. Describe your debit card processing capabilities. Do you distinguish between debit and credit cards on your bank identification number (BIN)? Can you program a debit card to the lowest cost network?
- i. Describe your transmission process. Describe the monitoring and notification process if transmissions fail.
- j. Is data imaging available online? What is available online? When? For how long?
- k. Describe the dispute resolution process.
- l. Describe your security measures for Internet transactions and unauthorized use.

### 3. Payroll Cards or Debit Cards

We are exploring the use of stored-value cards (payroll cards or debit cards) as a payroll option for employees at a minimum. Cardholders should be able to use the cards as debit

cards for purchases at point of sale as well as for cash withdrawals at financial institutions and automated teller machines.

The purchasing ability of the cards must be limited to the stored value of the card. We may choose not to pay for access fees for the employees issued the stored-value cards.

We will be responsible for any marketing of the program and have total discretion on the distribution of the cards. We will enroll the employees. You must provide cardholders with all processing and transaction information and reports. We expect the following services from you, at a minimum:

- embossing, encoding, and distributing standard cards as directed by us
- providing paper and electronic statements to cardholders
- administering accounts, including maintenance of accounts, application of funds, authorization of transactions, and related tracking
- customer service functions
  - a. Do you currently provide this service? If so, how long has it been available?
  - b. How many institutions and end customers use the service? Provide three comparable references for the service.
  - c. Which program (authorization marks) does your program use? (Visa, MasterCard, etc.)
  - d. Describe the enrollment process. Is enrollment batched and web-based?
  - e. Describe the manner by which funds will be made available to the cardholders.
  - f. What are the inactivity levels for the program? Do these generate additional fees? Describe any other potential fees.
  - g. Are all funding transmissions by standard ACH? Describe the data transmission requirements and deadlines.

#### **4. Purchasing Cards**

We may consider a purchasing card program during the contract period. Cards would be assigned to our employees for defined use.

- a. What card platforms do you support (MasterCard, Visa)? Do you use a third-party processor?
- b. What, if any, information is available online? When? Describe data download and integration capabilities. Describe reporting capabilities.
- c. What client support is available? How is it provided?
- d. Describe the diverse parameters and restrictions available for the card control. How many access levels are available?
- e. Discuss settlement and corporate liability terms. Include information on your support for the program and your experience, settlement terms on payment, security procedures, and license requirements. How will we receive billing?
- f. Describe how cards are issued, deleted, or replaced. How do you handle lost or stolen cards?
- g. Provide three comparable references for the service.

## Schedules and Attachments

We provide the following:

- copy of our audited financial statements *[or link to website]*
- Attachment A, Volumes for Pricing Transactions (filled in with volumes)
- Attachment B, District's Current Account Structure
- Attachment C, District Investment Policy *[or link to website]*

You must include the following information with the proposal:

- copy of your audited financial statements *[or link to website]*
- corporate audited financial statements and the individual depository's call report (for members of your holding companies) *[or link to website]*
- Uniform Bank Performance Report reference
- Attachment A, Volumes for Pricing Transactions (filled in with rates)
- Sample Account Analysis Statement and User's Guide (if applicable)
- Attachment D, Sample Collateral Agreement (if applicable)
- any agreements (including those not directly referenced in this proposal) that must be executed under the contract (if applicable)
- screen shots of major pages within your automated cash management system, or web access (if applicable)
- sample daily balancing report for remote deposit (if applicable)
- sample account reconciliation reports (if applicable)

**Optional Acknowledgments** *[insert as required by district preference]*

You confirm that you will not charge interest earned on the account analysis.

If awarded the contract, you must review our then-current district investment policy and certify in writing to that review in accordance with the Public Funds Investment Act verifying that you have sufficient controls in place to avoid transactions not authorized by the policy.

You accept the investment options and/or collateral conditions as specified in our investment policy.

By submitting this proposal, you acknowledge that you agree with and accept all specifications in the proposal except as you expressly qualified in the proposal.

Bank: \_\_\_\_\_

Address: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_

Phone Number: \_\_\_\_\_

Fax Number: \_\_\_\_\_

Email Address: \_\_\_\_\_

Typed Name: \_\_\_\_\_

Date: \_\_\_\_\_

**ATTACHMENT A**

ISD name: \_\_\_\_\_

District-Provided  
 Historical Information  
 (to be completed by the district and provided to banks)

Average Ledger Balance				Explanatory Notes, if applicable
Month			Dollars	
February-09				
January-09				
December-08				
November-08				
October-08				
September-08				
August-08				
July-08				
June-08				
May-08				
April-08				
March-08				

Average Collected Balance				Explanatory Notes, if applicable
Month			Dollars	
February-09				
January-09				
December-08				
November-08				
October-08				
September-08				
August-08				
July-08				
June-08				
May-08				
April-08				
March-08				

**ATTACHMENT A**

ISD name: \_\_\_\_\_

District-Provided  
 Historical Information  
 (to be completed by the district and provided to banks)

<b>Merchant Services (Credit Cards)</b>	<b>Avg Ticket Size</b>	<b>Estimated Volume</b>	<b>Explanatory Notes, if applicable</b>
<b>Month</b>	Dollars	Dollars	
February-09			
January-09			
December-08			
November-08			
October-08			
September-08			
August-08			
July-08			
June-08			
May-08			
April-08			
March-08			

<b>Purchasing Cards</b>	<b>Estimated Volume</b>	<b>Estimated Volume</b>	<b>Explanatory Notes, if applicable</b>
<b>Month</b>	Transactions	Dollars	
February-09			
January-09			
December-08			
November-08			
October-08			
September-08			
August-08			
July-08			
June-08			
May-08			
April-08			
March-08			

**SIMPLE EXAMPLE:**

ATTACHMENT B  
DISTRICT'S CURRENT ACCOUNT STRUCTURE

The District presently maintains accounts as listed below. The District reserves the right to open additional accounts or to close accounts during the course of the depository contract.

<u>Type of Account</u>	<u>Number of Accounts</u>	<u>Interest Bearing/ Non-Interest Bearing</u>
General Operating	1	IB checking
Payroll	1	IB
Tax	1	IB
Worker's Comp	1	NIB
Activity	2	IB

**COMPLEX EXAMPLE:**

ATTACHMENT B  
DISTRICT'S CURRENT ACCOUNT STRUCTURE

**VOLUMES**

<b><u>Type of Account</u></b>	<b><u>Average Number of Items</u></b>	<b><u>Average \$ Amount of Items</u></b>
Property Taxes		
Deposits	6 – 10 /month except daily November to January	
Payroll		
Monthly checks	400	
Monthly direct deposit	2,500	
Semi-monthly checks	850	
Semi-monthly direct deposit	850	
Weekly checks	400	
Weekly direct deposit	400	
Monthly payroll		\$11,000,000
Accounts Payable		
Monthly checks/payments	2,000	\$4,000,000
Food Service		
Daily deposits	35	\$45,000
Deposits		
Daily deposits	40	
Student Activity (Number of accounts)		
High School	3	
Middle School (deposit only)	6	
Elementary School (deposit only)	22	
Other	4	

**ACCOUNT STRUCTURE**

<b><u>Type of Account</u></b>	<b><u>Number of Accounts</u></b>	<b><u>Description of Accounts</u></b>
Controlled Disbursement	3	Payroll, Accounts Payable, Tax Office Refund
Depository Plus Accounts	30	Elementary & Middle School Activity Funds
Positive Pay	6	Payroll, Accounts Payable, Tax Office Refund, High School Activity Funds
Food Service	1	Depository Account – individually identified by campus
Checking	7	1 Operating; 1 Debt Service; 3 Construction; 1 Internal Service; 1 District Activity

# Summary of Laws and Procedures Pertaining to Depository Contracts for Independent School Districts

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**Note:** Legislative acts passed during a current legislative session may alter the requirements summarized in this document.

## Related Statutes and Rules

The state laws pertaining to school district depositories are found in the Texas Education Code (TEC), Chapter 45, Subchapter G (§§45.201–45.209). The TEC, §45.202, provides that the school depository or depositories of every independent school district may be selected only as provided by that subchapter. In accordance with the TEC, §45.206, in selecting a depository, your school district must use a uniform bid or proposal blank in the form prescribed by the State Board of Education (SBOE) rule, which is 19 Texas Administrative Code (TAC) [§109.51](#).

## Two-Year Term of the Contract

Your school district must renew its depository contract(s) every two years. The two-year contract term begins and ends in odd-numbered years and is from either July 1 of one year through June 30 two years later or September 1 of one year through August 31 two years later (for example, the period from either July 1, 2013, through June 30, 2015, or September 1, 2013, through August 31, 2015). The contract term and any extension must coincide with your district's fiscal year. (Reference: TEC, §45.205)

## A. Institutions Authorized to Serve as Depositories; Term of Depository Contract

Under the TEC, §45.203, only a bank is authorized to serve as a school district depository. The TEC, §45.201(2), defines the term "bank" as "a bank, a savings and loan association, or a savings bank organized under the laws of this state, another state, or federal law that has its main office or a branch office in this state. The term does not include any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation [FDIC]." This section authorizes a bank organized in Texas, as well as a bank organized in another state whose main or branch office is located in Texas, to serve as a depository provided that FDIC requirements are met.

A depository contract remains in force for a term of two years and until a successor is selected and has qualified. Your school district and depository bank may agree to extend a depository contract for two additional two-year terms. The extension does not require your district to solicit bids or proposals. (Reference: TEC, §45.205, and §45.206)

Your district may extend a depository contract for an additional two-year term only if:

- the district did not file an extension in the two previous bienniums (for example, an extension in 2009 through 2011 and in 2011 through 2013) and
- the district and the depository bank agree to extend the current depository contract with no changes.

Your district must submit a completed and signed Board Resolution Extending Depository Contract for Funds of Independent School Districts form to the Texas Education Agency (TEA) Division of

Financial Compliance. The extension form is available on the TEA Depository Contracts for School Districts web page at <http://www.tea.state.tx.us/index2.aspx?id=25769811504>.

The TEA will not accept a contract extension that has changes added to the contract, such as a change in interest rates. In these cases, your district must go back out for a bid or proposal.

## **B. Selection of Depository**

This section summarizes statutory provisions related to selecting a depository or depositories. (Reference: TEC, §§45.206–45.209)

At least 60 days before your district’s current depository contract expires, the district must choose whether to select a depository through competitive bidding or through requests for proposals.

If your district chooses to use competitive bidding, it must, at least 30 days before the termination of the current depository contract, mail to each bank located in the district, and, if desired, to other banks, a notice stating the time and place in which bid applications will be received for selecting a depository or depositories (Reference: TEC, §45.206[a-1]). **At least two banks must receive bid notices in every case. A bank is considered to be within a district if it conducts business at or through a branch in the district.**

If your district chooses to use requests for proposals, it must, at least 30 days before the termination of the current depository contract, mail to each bank located in the district, and, if desired, to other banks, a notice stating the time and place in which proposals will be received for selecting a depository or depositories (Reference: TEC, §45.206[a-2]). **At least two banks must receive request for proposal notices in every case. A bank is considered to be within a district if it conducts business at or through a branch in the district.**

The notice must include a uniform bid or proposal blank in the form prescribed by SBOE rule (19 TAC §109.51). The SBOE-mandated bid and proposal blanks (forms) are available on the TEA Depository Contracts for School Districts web page. Your district may add other terms to the uniform bid or proposal form as long as the added terms do not unfairly restrict competition between banks in or near the district. Any added terms must be stated in a uniform manner that will permit and facilitate comparison of all bids or proposals. (Reference: TEC, §45.206)

Under the TEC, §45.204(b), if a member of the school district’s board of trustees is a stockholder, officer, director, or employee of a bank that has bid or submitted a proposal to become a depository for the district, the member may not vote on awarding a depository contract to the bank.

If your district’s board of trustees receives tie bids or proposals for a depository contract and determines that the tie bids or proposals are otherwise equal and that two or more of the tie bidders or proposal submitters have the facilities and ability to provide the necessary school depository services for the district, the board may award the contract by either of the following methods:

1. determining by lot which of the banks submitting the tying bids or proposals will receive the contract or
2. awarding a contract to each of the banks submitting the tying bids or proposals. (Reference: TEC, §45.207)

In determining the highest and best bid or the highest-ranked proposal, or in the event of tie bids or proposals, the highest and best tying bids or proposals, the board of trustees must consider:

- the interest rate bid or proposed on time deposits;
- the charges for keeping district accounts, records, and reports and furnishing checks; and
- the bank's ability to provide the necessary services and perform the duties as school district depository.

The board should consider any other matters that in the judgment of the board would be in the best interest of the district. The board has the right to reject any and all bids or proposals.

Your district may select one or, in the event of tie bids or proposals, more than one depository. Each bank selected must make and enter into a depository contract setting forth the duties and responsibilities of the depository.

The TEC, §45.207(b) requires all funds received by a district from or through the TEA to be deposited, at the district's option, in **one** depository bank or invested in a public funds investment pool created under the Texas Government Code, Chapter 791, to be designated by the district. Because of this requirement, if your district selects more than one depository, it may deposit funds received from or through the TEA in only one of them.

### **C. TEA-Required Documents and Procedures**

Your district must file with the TEA the depository contract and, if applicable, the surety bond (Reference: TEC, §45.208).

All financial reports made by or for school districts or by their officers, agents, or employees, to the commissioner or to the TEA must be made on TEA-prescribed forms (Reference: TEC, §44.009[a]).

The TEA provides school districts with the forms required for requesting bids or proposals, pledging surety bonds, and executing depository contracts on its Depository Contracts for School Districts web page at <http://www.tea.state.tx.us/index2.aspx?id=25769811504>.

**Following is a list of the documents that your district must complete and submit:**

- **one completed and signed (signatures from school board president, bank officer, and notary) Depository Contract for Funds form**
- **one vendor Direct Deposit Authorization form, if applicable**
- **one completed and signed Texas School Depository Surety Bond Form, if applicable**

The Depository Contract Data Sheet is no longer required; however, your district may use this form for documentation purposes. Do not submit it to the TEA.

The copy of the accepted Bid Form for Depository Services or Proposal Form for Depository Services is no longer required to be submitted to TEA, but must be kept on file at the district and submitted to the TEA upon request.

**Your district must email completed and signed forms to [iona.escobedo@tea.state.tx.us](mailto:iona.escobedo@tea.state.tx.us).**

Please note that the TEA will **not** accept an incomplete depository contract form and will return it to the district. Ensure that all blanks are filled in and that the form includes the proper signature of:

- the school board president or authorized designee,
- the authorized bank officer, and
- the notary (please note that the notary is witnessing the authorized bank officer's signature).

In the absence of school board officers, the district should check its board policy to see if someone else has been authorized to sign in their absence. If not, then the school district must obtain the appropriate signatures before submitting the contract to the TEA.

**The TEA must receive these documents by June 15 of the fiscal year in which a district renews its depository contract.** If the TEA does not receive these documents by the deadline, the agency will notify the district by either July 1 or September 1 of that year (depending on the district's fiscal year end) that funds are subject to being sent to the district by warrant through the US mail pending receipt of the contract. The agency is not authorized to send funds to a depository that has not been selected and approved in compliance with the law.

**Your district may complete and submit one Board Resolution Extending Depository Contract for Funds form, if the district and its depository bank agree to extend the current contract for an additional two-year term and the district qualifies for an extension.-A valid contract extension must not have any changes to the original contract (for example, interest rate change). The TEA will not accept a contract extension that has changes to the original contract.**

Your district should allow enough time to accommodate any unexpected delays (for example, delays in submitting and receiving depository documentation, delays in acquiring signatures, delays caused by rebidding or going out for proposals again if the district rejects all initial bids or proposals). To ensure sufficient time for TEA review before the beginning of the district's biennium, your district's depository contract form(s) and related forms or its Board Resolution Extending Depository Contract for Funds form must be received by the Division of Financial Compliance no later than **June 15 of the fiscal year in which your district renews its contract**. **Beginning either July 1 or September 1 of that year, (depending on the district's fiscal year end), any district that has not submitted the required depository contract renewal or extension forms will receive its payments by warrant sent through the US mail pending the TEA's receipt of the required forms.**

#### **D. Amount of Cashier's Check Specified in Bid or Request for Proposal Notice**

The Bid or Request for Proposal Notice for Depository Services form includes a blank for the amount of the cashier's check. The cashier's check amount should not be excessive but should be enough to cover the costs incurred by the district during the bidding or proposal process and any costs the district will incur in seeking new bids or proposals should the depository submitting the initial winning bid or proposal fail to enter into a contract with the district.

## **E. Instructions for Depository Contract for Funds Form**

Before submitting the Depository Contract for Funds of Independent School Districts form, district staff members should ensure that the form includes all necessary items by completing the following steps:

- Fill in the name of the county and the county-district number.
- Article I: Fill in the district name, the name of the county the district is located in, the name of the depository bank, the beginning and ending dates of the depository contract (for example, July 1, 2015, through June 30, 2017, or September 1, 2015, through August 31, 2017), the mailing address of the bank, the name of the county the bank is located in, the number of bids or proposals submitted, and the date the bids or proposals were opened.
- Article V: Fill in the routing transit number, indicate whether the account is a checking or savings account, and fill in the account number. If the district currently receives its funds in a public fund investment pool created under the Texas Government Code, Chapter 791, and there will be no change, check the box indicating that.

Fill in the date the depository contract was agreed to and accepted on behalf of the school district, the date the bank agreed to and accepted the depository contract, and the name of the depository. Ensure that the form includes the school board president's signature and the authorized bank officer's signature and title.

- "Acknowledgment" section (must be completed by a notary): Ensure that this section includes the name of the county, the date (this date must be the same as the date the bank agreed to and accepted the depository contract), the printed name of the authorized bank officer signing the contract, the signature of the notary, the county of the notary, and the notary seal.
- "Election of Collateral Method for Funds of Independent School Districts" section: Check the box that applies to the district's selected method to protect the funds of the district. Fill in the amount of the surety bond in paragraph A (this amount must match the amount shown on the Texas School Depository Surety Bond Form). If the district has not elected to use a surety bond, fill in "N/A" (not applicable) or "0" as the amount in paragraph A. Fill in the estimated highest daily cash balance in paragraph D.

## **F. Distribution of Funds through the Agency to the District**

A district must complete, sign, and submit the vendor Direct Deposit Authorization form to inform the TEA of any bank changes. The agency keeps a record of the name and address of each depository; its transit routing number, to which all funds distributed through the agency to the district are sent; and each district's bank account number and type. Current bank information is necessary for the transfer of all funds electronically through the Automated Clearing House (ACH) system. A depository is required to give the district credit on the effective settlement date for funds transferred electronically (25th day of the month or the following banking day if the 25th day falls on a weekend or holiday for Foundation School Program and per capita funds).

## G. Securities

A school district is responsible for reviewing the securities pledged by a depository or the amount of the surety bond to determine if the pledged securities or bond is acceptable for securing the funds of the district as specified by statute and attorney general opinions. The district is also responsible for keeping copies of receipts for pledged securities on file.

The aggregate amount of a surety bond or the amount of the approved securities deposited or pledged by a depository bank must be adequate to protect the funds of the district as directed at any time by the board of trustees in accordance with standards acceptable to the TEA. All funds, less applicable FDIC insurance and any surety bond coverage, must be secured with the depository from day to day during the term of the depository contract.

The TEC, §45.208, authorizes the following types and forms of securities:

- Surety Bond: The TEC, §45.208(a), requires a school district and a bank that it selects as a depository to enter into a depository contract, bond, or other necessary instruments setting forth the duties and agreements pertaining to the depository, in a form and with the content prescribed by SBOE rule (19 TAC §109.52). Under §45.208(b), the initial amount of the bond must be "equal to the estimated highest daily balance, determined by the board of trustees of the district, of all deposits that the school district will have in the depository during the term of the contract, less any applicable Federal Deposit Insurance Corporation insurance." The bond must be payable to the district and signed by the depository bank and by a surety company authorized to do business in Texas. The depository bank is required to attach the bond to the contract and file it with the school district.
- Pledged Securities: Instead of accepting a surety bond, a school district board of trustees may accept a deposit or pledge of approved securities, as defined by the TEC, §45.201(4), as provided for by the TEC, §45.208(f), and the Texas Government Code, Chapter 2257. Under the Texas Government Code, §2257.022(b), if a district agrees to the use of reducing principal securities, the total value of the securities must be in an amount not less than 110 percent of the amount of the deposit, as determined under §2257.022(a).

Under the Texas Government Code, §2257.023, a district is responsible for determining, in accordance with a written policy approved by its board of trustees, whether an investment security is eligible to secure deposits of public funds.

The depository is required to file with the district safekeeping or trust receipts for each security pledged against the district's funds. The receipts **must**:

- show the school district as pledgee;
- clearly indicate the third-party holder of the security, the name of the depository, and the receipt number; and
- include a description, the maturity date, and the par value or market value of the security if it reduces in principal.

Although neither statute nor rule specifically authorizes the amount of the securities a depository is required to pledge to be reduced by the amount of a short-term loan made by the depository to the depositing district, such short-term obligations of the depositing district are acceptable for pledge

purposes. However, they must be considered “approved securities” and placed in another bank for safekeeping. That bank must issue safekeeping receipts showing that the obligations are pledged to the school district on a declining balance according to the repayment schedule.

## H. Collateral Pledge Agreement

The collateral pledge agreement (also referred to as the third-party holder agreement) must conform to Title 12 United States Code Annotated (USCA), §1823(e), as follows:

### (e) Agreements against interests of Corporation

#### (1) In general

No agreement which tends to diminish or defeat the interest of the Corporation in any asset acquired by it under this section or section 1821 of this title, either as security for a loan or by purchase or as receiver of any insured depository institution, shall be valid against the Corporation unless such agreement—

- (A) is in writing,
- (B) was executed by the depository institution and any person claiming an adverse interest thereunder, including the obligor, contemporaneously with the acquisition of the asset by the depository institution,
- (C) was approved by the board of directors of the depository institution or its loan committee, which approval shall be reflected in the minutes of said board or committee, and
- (D) has been, continuously, from the time of its execution, an official record of the depository institution.

#### (2) Exemptions from contemporaneous execution requirement

An agreement to provide for the lawful collateralization of –

- (A) deposits of, or other credit extension by, a Federal, State, or local governmental entity, or of any depositor referred to in section 1821(a)(2) of this title, including an agreement to provide collateral in lieu of a surety bond;
- (B) bankruptcy estate funds pursuant to section 345(b)(2) of title 11;
- (C) extensions of credit, including any overdraft, from a Federal reserve bank or Federal home loan bank; or
- (D) one or more qualified financial contracts, as defined in section 1821 (e)(8)(D) of this title,

shall not be deemed invalid pursuant to paragraph (1)(B) solely because such agreement was not executed contemporaneously with the acquisition of the collateral or because of pledges, delivery, or substitution of the collateral made in accordance with such agreement.

## I. Investments

Under the Texas Government Code, §2256.005, a school district board of trustees is required to adopt a written investment policy regarding the investment of the district's funds and funds under its control. The board must adopt a separate written investment strategy for each of the funds or groups of funds under the district's control. Section 2256.005(d) requires that each investment strategy "describe the investment objectives for the particular fund using the following priorities in order of importance:

- "(1) understanding of the suitability of the investment to the financial requirements of the entity;
- "(2) preservation and safety of principal;
- "(3) liquidity;
- "(4) marketability of the investment if the need arises to liquidate the investment before maturity;
- "(5) diversification of the investment portfolio; and
- "(6) yield."

See the Texas Government Code, §2256.005(b), for additional requirements related to district investment policies.

The Texas Government Code, §2256.009(a), authorizes the following investments:

1. obligations, including letters of credit, of the United States or its agencies and instrumentalities;
2. direct obligations of this state or its agencies and instrumentalities;
3. collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
4. other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the FDIC or by the explicit full faith and credit of the United States;
5. obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; and
6. bonds issued, assumed, or guaranteed by the State of Israel.

See §2256.009(b) for a list of investments that are not authorized.

Refer to the following sections of the Texas Government Code, [Chapter 2256](#), for more information regarding specific authorized investments:

§2256.010, Authorized Investments: Certificates of Deposit and Share Certificates

§2256.011, Authorized Investments: Repurchase Agreements

§2256.0115, Authorized Investments: Securities Lending Program

§2256.012, Authorized Investments: Banker's Acceptances

§2256.013, Authorized Investments: Commercial Paper

§2256.014, Authorized Investments: Mutual Funds

§2256.015, Authorized Investments: Guaranteed Investment Contracts

§2256.016, Authorized Investments: Investment Pools

**If a district invests in certificates of deposit with other banks, the investment must be made in the name of the district, and the investment amount exceeding the FDIC coverage must be secured by a contract and the pledging of securities.**

#### **J. FDIC Insurance Coverage and Amount of Securities**

Total school deposits require approved security pledge or surety bond coverage, or both, to the extent not covered by the FDIC insurance.

The basic FDIC deposit insurance coverage limit for government accounts is currently \$250,000 per official custodian. A school district can use the FDIC's Electronic Deposit Insurance Estimator (EDIE) to calculate the insurance coverage on school district deposits. EDIE is available on the following website: <https://www.fdic.gov/edie/index.html>.

#### **K. Bank Closing**

A school district board of trustees may select by contract a new depository if the district's original depository bank suspends business (closes) or is taken charge of by a state or federal bank regulatory agency. (Reference: Texas Local Government Code, §131.001)

When a bank fails and is reopened, the FDIC usually negotiates a contract with the new bank. The contract will specify if or under what conditions the new bank will honor preexisting depository contracts. As soon as feasible, all safekeeping receipts should be reissued, showing the name of the new bank and the securities pledged to the district.

When a failed bank is reopened, the transit routing number, the bank address, the type of account, or the account number may change. The district must notify the TEA immediately of any changes that could affect the receipt of school funds and complete a new vendor Direct Deposit Authorization form.

#### **L. Contact Information**

If you have any questions about depository contracts, please contact Gayle Escobedo in the Division of Financial Compliance at (512) 475-2372 or [iona.escobedo@tea.state.tx.us](mailto:iona.escobedo@tea.state.tx.us).