

**REQUEST FOR PROPOSAL
FOR
BANKING SERVICES**

2017 – 2020

Southeast Delco School District
1560 Delmar Drive
Folcroft, PA 19032

Please direct all inquiries to:

Vanessa Scott
Business Manager
610-522-4300 extension 5393
vscott@sedelco.org

Response Deadline:
2:30 p.m. – Friday, March 31, 2017

TABLE OF CONTENTS

	<u>PAGE</u>
<u>SECTION I – INTRODUCTION</u>	
BACKGROUND AND OBJECTIVES	1
LENGTH OF CONTRACT	3
SELECTION CRITERIA	3
TERMS AND CONDITIONS	4
<u>SECTION II – SCOPE OF BANKING SERVICES</u>	
COLLECTION SERVICES	5
DISBURSEMENT SERVICES	6
MONTHLY REPORTING	7
ONLINE BANKING SERVICES/ELECTRONIC REPORTING	8
INVESTMENT SERVICES	8
THIRD PARTY SERVICE PROVIDERS	9
OPTIONAL SERVICES	9
<u>SECTION III – BANK CREDIT EVALUATION</u>	10
<u>SECTION IV – BANKING SERVICE FEES</u>	11
<u>SECTION V – PROPOSAL INSTRUCTIONS</u>	
RESPONSE TO PROPOSAL	11

SECTION I INTRODUCTION

Sealed proposals for banking services will be accepted by the Southeast Delco School District (the "District") at the following address:

Vanessa Scott
Business Manager
Southeast Delco School District
1560 Delmar Drive
Folcroft, PA 19032
Re: RFP-Banking Services

All respondent banks must send one (1) sealed copy of their proposal to the above address. The sealed proposals must be received and in the possession of the Business Manager by **2:00 p.m., Friday, March 31, 2017**. Proposals received after this date and time will not be considered.

All proposals will be opened at **2:00 p.m. on Friday, March 31, 2017**.

Any inquiries regarding these proposals should be made in writing to Vanessa Scott at vscott@sedelco.org or by calling 610-522-4300. Any additional information given as a result of bidder inquiries will be shared with all participating banks.

BACKGROUND AND OBJECTIVES

Southeast Delco School District is a public school district located in Delaware County, Commonwealth of Pennsylvania, with a student population of approximately 4,500 serving the communities of Collingdale Borough, Darby Township, Folcroft Borough, and the Borough of Sharon Hill. The District provides educational services through its Kindergarten center, 4 elementary schools, and 1 high school.

The six (7) accounts maintained by the District that are included in this proposal are listed below.

- General Depository Account – All general fund revenues and serves as the School District’s concentration account.
- Payroll Net Account – This account is used to process net payments for all District employees.
- Payroll Disbursement Account – This account is used to process accounts payable transactions related to payroll deductions.
- Tax Revenue Receipts account – This account is used solely as a Lock Box depository for the district’s tax revenue receipts.
- Food Service (Cafeteria) Account – Revenue generated by the operation of the District’s food service operation. This account receives daily over-the-counter and lockbox deposits.
- Music/Arts Program Account – This account is used for processing transactions for music related programs.
- Student Activity Account – This account is used for processing accounts payable related to district-wide student activities.

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 the Southeast Delco School District. 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 District 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, night depository service, investment and custodial services, on-line banking services and special services/programs for District employees.

An important aspect of this proposal is to obtain market rates of interest on all funds held in our accounts with limited associated risks. Southeast Delco School District is both authorized and limited to the investment of excess funds by the Pennsylvania School Code. Also, the code allows the District 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 District 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 District funds.

LENGTH OF CONTRACT

Southeast Delco School District 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 (3) 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 District's costs to establish a new banking agreement will be the responsibility of the terminating bank.

Also, the District can terminate the agreement immediately should information be received relating to the dwindling 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. Return on Investment of Funds
3. Cost of Services
4. Ability to Provide Services Efficiently and Effectively Through Automation
5. Funds Deposited in Accordance with all Federal, State, and Local Laws
6. Employee Benefits
7. Location of Banks' Branches in Relation to District Offices
8. References
9. Community Involvement/Charitable Activities

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 and have the ability to supply an appropriate level of service for the scope of services described herein.

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 District;
3. May render the proposal/bid invalid due to unauthorized modifications of bid specification forms or terms.

The contract term will be three (3) years, starting on July 1, 2017, with an option to renew for an additional two (2) years at the discretion of the District. Based on the results of the proposals, a recommendation will be made to the Board of School Directors 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 District 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

COLLECTION SERVICES

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

Wire Transfers

The District receives funding from the Commonwealth of Pennsylvania and other parties through ACH and wire transfers. Wire transfers are used to move funds between financial institutions for investment purposes. The District intends to consider incoming wire transfers as “available for investment” either by the District or the bank through the concentration account investment vehicle.

Over the Counter Deposits

The District 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 District 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 B).

Lockbox Collections (Tax Revenue)

The District requires lockbox services for the collection of real estate tax bills. There were approximately 11,255 lock box items received in the 2015 year. The monthly volumes are listed below. Please provide us with an explanation of your lockbox services. (See Response to Proposal No. 3 – Attachment B).

Month	Volume
July	1,286
August	3,006
September	5,203
October	739
November	530
December	491
January	
February	
March	
April	
May	
June	
TOTAL	11,255

The District plans on having all tax collections processed via lockbox. Any tax collection deposits “over the counter” will be by the District’s designee.

The check-clearing time is vital in an effective cash management system, since uncollected funds are not available for immediate investment. Most District 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. (See Response to Proposal No. 2 – Attachment B).

DISBURSEMENT SERVICES

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

Wire Transfers

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

The District initiates 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 District requires the ability to send and receive wire transfers 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.

Automatic Clearing House (ACH) Payments

The District offers direct payroll to all employees. Currently, approximately 92% of our employees participate in the direct deposit service. A standard NACHA file will be submitted to the District’s financial institution two (2) business days prior to the transfer date. The District expects that the bank will not deduct funds from the Payroll account until the actual transfer date. The District prefers to be notified electronically and via phone of any Notifications of Change (NOC’s) or returns and will prenote any new or revised payroll instructions.

The District currently uses encrypted standard NACHA files via a web based bank transfer facility. The District will secure these files via PGP and will provide the public key code.

Please be sure to provide a detailed description of file transfer protocols available including file transmission deadlines. Any costs for new file transmission software or hardware will be covered by the bank.

Controlled Disbursement Account

The District does not presently utilize services typically offered through controlled disbursement accounts. However, should this seem useful for your cash management system, thus increasing our interest earnings, we will explore this possibility. Please include this service as a possible additional service to be considered in your response to Proposal No. 1 – Attachment B.

Account Reconciliation Service

The District 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 District 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 provide on-line access to the District with an exportable, 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 District should receive these reports by the fifth (5th) business day of the following month.

The District 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 District 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 District accounts
- Submission of stop payments
- Notification of incoming wires

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

It is important to the District that these services be available between the hours of 8:00 a.m. and 4:00 p.m. The District would prefer that these services be offered via a web based product but will consider PC based/modem dial-up services.

INVESTMENT SERVICES

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. The method used to fully collateralize our account balance in excess of FDIC. The District is extremely conservative in its approach to collateralization. The District requires that:
 - a. the collateral will be marked to market at least once per month
 - b. the market value of the collateral will be at least equal to 102% of the amount of the applicable public deposits (in excess of the FDIC insurance limits)
 - c. the collateral will be held by the custodian in a separately designated Act 72 pledge account (the "Act 72 Account")
 - d. in accordance with Section 6 of Act 72, the bank will provide a monthly report to the depositor regarding the aggregate applicable public deposits being secured by the collateral, a listing of the collateral, and the market value of the collateral (the bank will determine the value of collateral in good faith based on recognized valuation sources)

2. Explain the calculation of the daily interest rate including the specific interest index and source of information (i.e. Wall Street Journal).
3. 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).
4. Provide a description of the amount of cash balance on which the interest calculation is based, such as collected funds and reserve amounts.
5. Any additional information you deem necessary for the District to fully understand your suggested investment vehicle.

Please understand the District is extremely 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
- Armored car service

OPTIONAL SERVICES

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

District Employee Services

The District 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 District employees.

ACH Collections

The District is considering the implementation of an ACH based collection service for its tax revenue. The District's accounting package will enable the production of a standard NACHA ACH Debit file. The District is interested in exploring all collection options, especially those that would allow the service to be offered in such a way that the District would not have to warehouse its residents' banking information. Please describe any product that your bank offers that would assist the District in the provision of such a service.

SECTION III – BANK CREDIT EVALUATION

Although properly structured collateral offers the District 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 District 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 B).

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, 2014 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, 2014 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 school districts, 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 with which the District would most regularly conduct business and the address of all branches located in Montgomery, Delaware, Chester, and Philadelphia Counties. The bidder will also provide the names and the professional backgrounds of the following personnel that would be expected to deal with the District 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

The District pays for banking services through service fees. 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.

As attachment C of this document please include a listing of transaction fees used during a normal year for each banking service. 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

RESPONSE TO PROPOSAL

See Attachments A, B, and C.

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

ATTACHMENT A

**RESPONSE TO PROPOSAL
ATTACHMENTS A, B, and C**

**MUST BE RECEIVED BY
SOUTHEAST DELCO SCHOOL DISTRICT BY
2:00 PM
FRIDAY, MARCH 31, 2017**

TO THE ATTENTION OF:

Vanessa Scott
Business Manager
Southeast Delco School District
1560 Delmar Drive
Folcroft. PA 19032

NAME OF BANK: _____

CONTACT PERSON: _____

STREET ADDRESS: _____

CITY/STATE/ZIP: _____

TELEPHONE NUMBER: _____

FAX NUMBER: _____

ATTACHMENT B

RESPONSE TO PROPOSAL

Due to Southeast Delco School District
No Later Than 2:00 p.m. on Friday, March 31,2017

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 District. 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 District'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 District. 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 District in the provision of the implementation of an **ACH based collection service** for its Real Estate Tax 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 **2013, 2014 and 2015 (and 2016 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, 2009 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 (5)** current business clients, preferably governmental units, **as references**.

10. Complete **service fees summary** (Attachment C) and answer each of the following:
 - a. Permit redeposit of NSF checks? Yes/No
 - b. Pay interest on ledger balances? Yes/No
 - c. Assess FDIC insurance cost? Yes/No
 - d. Assess 10% reserve requirement? Yes/No
 - e. Provide lock deposit bags free of cost? Yes/No
 - f. Provide all check stock and 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 District checking accounts? Yes/No

- h. 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.
- i. Explain the **calculation of the earnings credit rate**, and provide monthly earnings credit rate **history** for January 1, 2015 through January 31, 2016, and basis of rate. Please list the index by which the earnings credit rate will be benchmarked. (Example: federal funds rate plus/minus __ basis points, 90 day treasury rate plus/minus __ basis points, etc.).
- j. Provide monthly history of **interest rates applied** to checking account balances for the period January 1, 2015 through January 1, 2016. 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/minus __ basis points, 90 day treasury rate plus/minus __ basis points, etc.).
- k. Provide **timeframe** for monthly bank statement cutoff, delivery date, and posting of interest.
- l. What time of day is the bank cutoff to **credit daily deposits**?
- m. Specifically address item 1, (a) through (d), under **the Investment Services** section found on page 8 relating to insurance and collateralization.

ATTACHMENT C – FEE STRUCTURE

RESPONSE TO PROPOSAL

Due to Southeast Delco School District
No Later Than 2:00 p.m. on Friday, March 31, 2017