

# City of Sidney, Ohio

## Request for Proposal for Banking Services

### I. GENERAL BACKGROUND

The City of Sidney, Ohio (the City) is soliciting competitive proposals in order to obtain quality banking services at competitive market pricing. The term will be 3 years, from July 1, 2017, through June 30, 2020, with an option to renew for two (2) additional one (1) year periods with the mutual agreement of both parties.

This RFP does not include any purchasing card services. We will have a separate RFP for those services.

If you wish to receive a paper copy please contact Renee DuLaney at (937) 498-8748. The electronic documents are also available on the City's website at <http://www.sidneyoh.com>.

The City expects its financial institution to be a leader and innovator in the development and execution of financial products and services and requires these services to be of the highest quality with outstanding customer service.

### II. REQUIRED QUALIFICATIONS OF FINANCIAL INSTITUTIONS

For a proposal to this RFP to be considered and evaluated a financial institution must:

- Be insured by the Federal Deposit Insurance Corporation (FDIC).
- Be eligible to be a depository of City funds pursuant to Chapter 135 of the Ohio Revised Code, with a full service branch in Sidney, preferably a downtown location. Once selected, the financial institution must enter into a depository agreement with the City for the life of the contract.
- Also, the financial institution will be required to submit a statement on letterhead that they have read and understand the City's investment policy (see Exhibit D). Be able to provide the collateralization as required by State of Ohio statute and the City of Sidney investment policy.

### III. PROPOSAL SCHEDULE

Distribution of requests	January 10, 2017
Pre-Bid Conference	Wednesday, January 18, 2017 at 10:30 a.m.
Proposals due at 5 p.m.	Friday, March 3, 2017
Evaluation/Interview period	March 6 to May 26, 2017
Award of Contract	June 1, 2017
Expected implementation period	June 1, 2017 to August 31, 2017

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### IV. INFORMATION REQUESTS

Requests for information and questions may be submitted may be forwarded in writing to:

Renee DuLaney  
Assistant Finance Officer

E-mail address [rdulaney@sidneyoh.com](mailto:rdulaney@sidneyoh.com)  
Fax (937) 498-8177

### V. REQUIRED FORM OF PROPOSAL

All proposals must be submitted in the following format in order to expedite the review and selection process.

1. Cover Letter
2. Table of Contents
3. Background of Financial Institution, Board of Directors and Executive Management Team
4. Local Staff Qualifications and Experience
5. Required Banking Services
6. Implementation Schedule
7. References
8. Optional Banking Services
9. Other Value Added Banking Services
10. Banking Services Bid Forms
  - Exhibit A – Required Services
  - Exhibit B – Optional Services
  - Exhibit C – Other Value Added Services
11. Examples
  - a. Bank Statement
  - b. Analysis Statement
  - c. Historical Sweep Rates and Rate Index
  - d. Earnings Credit Rate and Compensating Balance
  - e. Applicable Reports
  - f. Financial Statements
  - g. Bank agreements relevant to the proposal

Detailed below is a brief description for each of the above requirements to assist with the content of each topic.

1. Cover Letter –

- This section requires the name and address of the local financial institution, and the names, addresses and direct telephone number of staff members who are authorized to respond to operational, pricing and technical questions. An

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individual who is authorized to bind the financial institution must sign the cover letter.

- Enclose a current copy of the applicable board of directors' resolution authorizing the signer to bind the financial institution on these matters.
2. Table of Contents – Index of proposal contents, Banking Services Bid Forms and examples.
  3. Background of Financial Institution, Board of Directors and Executive Management Team –
    - The background of the financial institution should include the name and principal address of the bank and holding company, if applicable.
    - Indicate if the local office operates independently of the holding company, if applicable.
    - List the names and businesses of the board of directors of the financial institution and the holding company, and the local board, if applicable.
    - List the names of the executive management team of the principal office of the financial institution.
    - Provide credit rating from Moody's and Standard & Poor's for your institution.
  4. Provide a copy of the most recently Quarterly Report (CAMELS). Local Staff Qualifications and Experience –
    - Detail local staff member who will service the City of Sidney. Provide the name, authorized titles and length of service with financial institution in present area of responsibility, and experience serving Ohio public entities as the primary local account officer.
    - Include all banking services and products performed by the local banking offices.
    - Differentiate between branch and public funds officer services.
  5. Required Banking Services – A brief and concise description of each required banking service with statement of compliance with the proposal for banking services. Do not include any banking services in this section that is not detailed in Section IV, Required Banking Services. Include other services in the optional sections as outlined below. All proposals must include the following services, which will be required in the City's Banking Services agreement. Proposing financial institutions must submit a completed Exhibit A with the proposal, showing all fees related to these services provided.

### **Account Structure and Monthly Statements**

The City requires an operating bank account. The City requires a monthly bank statement on each account to be received no later than the fifth business day following the end of the month. The City prefers electronic statements and a serial sorting of the checks paid. Account analysis statements must be received no later than the tenth business day following the end of the month. Electronic statements are acceptable. The City must be notified or receive confirmation via

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internet of all corrections including ACH credits and debits within forty-eight (48) hours. Please list cut-off times for same day deposits and procedures for handling deposit discrepancies.

### Operating Account

The City's operations flow through this account, including the deposit of revenues and accounts payable payments. The City will send and receive wire transfers and ACH transfers, write checks and make deposits to this account. Exhibit A contains information regarding an estimate of the volume of checks, deposits, wires, etc. for the operating account. Provide a listing of costs of services as described in the RFP and the minimum required compensating balance for offset. The City understands that cost imposed by the Federal Reserve System upon the depository will be passed on to the City. If your bank does not agree with this, please include a proposed fixed pricing term alternative.

The proposal should include all options available to municipalities under Ohio statutes (such as interest bearing and earnings credit rate). Please include the rate of interest that the account would currently earn. Please provide a 12-month historical rate analysis for each. In addition, please explain any formulas and calculations related to interest rate determinations. For instance, include any index rates (i.e. Federal Discount Rate) and their effect on the interest calculation. Your explanation should include a guaranteed minimum annual percentage yield.

All items returned for insufficient funds are presented for payment twice before being charged back to the depository account. After the second presentment, the bank provides advices and copies of returned deposited items. The City is interested in email as an option in receiving charged back items.

### Health Saving Account:

The City provides health care through a health savings plan and therefore the employees of the City have a HSA established in their name for City and payroll contributions to be deposited and HSA debit card transactions to occur. Please provide the availability of these services and any potential fees involved.

### **Online Treasury Workstation**

Describe in detail your online communication capabilities for balance inquiry including immediate and delayed clearing balances, item image retrieval, wire and ACH transfer initiation, stale dated check management, stop pay management and any other online information that is available to the City. In addition, please describe the training available and appropriate controls regarding the City accounts using online access. Finally, indicate the hardware/system requirements necessary to run the workstation. Please include all potential fees associated with your online access with the services we are requesting.

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### **Positive Pay**

The City is using positive pay on its Operating Account. For the operating account when checks are disbursed, the City provides the financial institution with a computer readable record file detailing the payee, check number, date and dollar amount of each item submitted electronically. This file can be either a standard comma delimited or fixed width format for interfacing with the City's financial System, MUNIS. Only those items reported by the City are allowed to clear the account. The financial institution provides the City with a daily list of exception items for payment approval or rejection.

Responding financial institutions should describe their systems. The City's positive pay program should be integrated with their bank teller operations to maximize controls. In the response, please describe the status of the online teller access.

### **Automated Account Reconciliation**

The City currently receives automated account reconciliation in conjunction with the positive pay system described above. The City desires information to be provided electronically to reconcile its operating account. Please describe the data format available. Information would need to be received by the City within five business days of month-end. Responding financial institutions should describe their systems and how stale dated and voided checks would be handled.

### **Automatic Payment**

The City currently has automatic withdrawal from customer's checking accounts for utility billing payments, tax payments and cemetery pre-payments. We provide the financial institution via CSV electronic file with the pertinent customer data. Please describe your program and related costs to provide this service.

### **Wholesale Lock Box**

The City uses a lock box for EMS receipts from a third party processor, AMB.

Please describe your lock box capabilities including imaging, costs and benefits to the City. Please describe how your lock box would be implemented by the City including information relating to potential changes in billing procedures and how long it may take to start-up these procedures. See current activity in the attached exhibit.

### **Safety Deposit Box**

The City will need several safety deposit boxes for safekeeping of the City's backup tapes and other documents as needed. Please list the sizes and fees involved for these boxes.

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### **Banking Supplies**

The financial institution will need to provide coin and bill wrappers and deposit slips for our operating account. The City uses locked money bags for daily deposits; no bags will need to be provided, The City will need safety check stock, please indicate any fees attributable to these items.

### **Cancelled Checks**

Please describe your cancelled check data storage to include image recovery for processed checks. The City currently receives monthly check image information on CD Rom for easy storage and research. The CD Rom needs to include images of both the front and the back of cancelled checks.

### **ACH Payments**

The City processes a variety of payments via ACH. Please provide details of the requirements for this service including the timeframe for which an ACH will be processed, for example when payroll ACH will be available to employees, and the total cost for this service.

### **ACH Blocks and Filters**

The City uses ACH blocks and filters on its operating account. Please describe the procedures involved to implement these controls and different types of options available with setting up blocks and filters on the City's accounts. Please include all fees associated with this feature.

### **Acceptance of Online Payments**

The City currently permits taxpayers and residents to make payments to the City via the internet through Forte. These are then submitted via online ACH batch CSV file to the bank. Please provide format allowable if a CSV file is not available. Please describe your program and related costs to provide this service.

### **Desktop Remittance**

The City scans the majority of checks received and transmits an image cash letter. Please include all costs to accept an image cash letter as well as the cost to deposit items received from an image cash letter.

### **Other Required Information**

#### **Designated Account Liaison**

The City will require the selected financial institution to designate a senior officer as a liaison. This officer must be capable of coordination of all City activities with the financial institution and be able to resolve any problems or issues that may arise.

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### **Record Retention**

The financial institution should maintain records for the City for the term of seven years after the completion of the contract.

### **Disaster & Back-Up Plans**

Describe your financial institution disaster and back-up plans and capabilities. The City must have access to cash, securities and information at all times.

6. Implementation Schedule – Include a detailed implementation schedule for all required banking services.
7. References –
  - Provide a minimum of three (3) public entities that have been customers for a minimum of four (4) years. Include the names of the public entity, contact, local telephone numbers and listing of banking services provided each entity.
  - Indicate the length of time serving each public entity by the local primary account offices.

Optional Banking Service – Detail additional banking service that will benefit the City of Sidney. Be brief and concise in presenting the data. Service charge fees are to be detailed in Exhibit B – Banking Services Bid Form for Optional Banking Service. The City may elect to use the optional service but not necessarily with the primary operating financial institution.

### **Retail Lock Box**

The City currently receives a majority of its payments by mail. The City is interested in learning more about how we could utilize a retail lock box for utility payments. Please describe the procedure involved; format the information would be accessed by the bank and format available to be received by the City. Also please describe the implementation process and any requirements needed to utilize this service.

8. Other Value Added Banking Services - Detail other value added banking services and other data that will benefit the City of Sidney. Be brief and concise in presenting the data. Service charge fees are to be detailed in Exhibit C – Banking Services Bid Form for Other Value Added Banking Services. The City requests the proposing financial institutions to offer any additional services or make any recommendations it believes would enhance the cash management capabilities of the City. All proposing financial institutions are encouraged to make suggestions or include additional information not requested in this proposal. Financial institutions are encouraged to describe factors that distinguish their institution from potential competitors.

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9. Banking Service Bid Forms – Detail price per item of banking service, monthly minimum fees, if applicable, and monthly maintenance fees. For Exhibit A, failure to include a fee for a banking service will indicate that a portion of the banking service will NOT incur a fee. It is the responsibility of the financial institution and the designated account liaison to include ALL service charge fees under the appropriate banking service.
10. Examples as required.

### VI. PROPOSAL SUBMISSION PROCESS AND DEADLINES

*All proposals from interested financial institutions must be received on or before 5:00 pm on Friday, March 3, 2017.* Proposals received after the date and time above shall not be considered.

Please submit one paper copy and also an electronic copy for this RFP to:

#### **PROPOSAL FOR BANKING SERVICES**

Renee DuLaney  
Assistant Finance Officer  
City of Sidney  
201 West Poplar Street  
Sidney, OH 45365  
rdulaney@sidneyoh.com

This proposal must follow the format described in section V of this RFP. Additional supporting material may be submitted.

All proposals and related reference information submitted in response to this RFP will become the property of the City and will not be returned. Each entity submitting a proposal waives any right of confidentiality as to the proposal documents. If an entity submitting a proposal considers certain material in the proposal proprietary information, it shall clearly designate those portions of the proposal it wishes to remain confidential. As a public entity, the City is subject to making records available for public disclosure. The City will attempt to maintain the confidentiality of material marked proprietary; however, it cannot guarantee that information will not be made public.

Employees of the entity are not "public employees" for the purpose of OPERS membership.

- The City reserves the right to (1) accept or reject any and all proposals and to waive any technicalities or irregularities involving any proposal and to cancel the RFP process at any time prior to entering into a formal contract for banking services, (2) not award a contract for any or all of the banking services that are the



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- subject of this RFP process, (3) award contracts for banking services to separate financial institutions, (4) negotiate contract terms acceptable to the City with the successful financial institution(s), (5) disregard all nonconforming, non-responsive or conditional proposals, and (6) reject the response of any financial institution which does not submit a proposal to the City's satisfaction.
- During the evaluation process, the City reserves the right to request additional information or clarifications from those financial institutions submitting proposals and to allow corrections of errors and/or omissions.
  - Submission of a proposal indicates acceptance by the company submitting the proposal of the terms, conditions and specifications contained in this RFP and to include the contract requirements set forth herein.
  - The City will not pay for any information herein requested, nor is it liable for any costs incurred by those financial institutions submitting proposals. The City reserves the right to select the proposal that will best meet the needs of the City. Proposals that do not meet the stated requirements will be considered in non-compliance and will be disqualified unless the City waives such non-compliance.
  - The standard proposal form indicates an estimate of the number of transactions for the year. This number is the City's best estimate of the average volume and the City in no way guarantees these as minimum or maximum volumes.
  - No proposal may be withdrawn for a period of thirty (30) days from the date set for the opening thereof.
  - If a financial institution does not execute an agreement within thirty (30) days of receiving from the City a notice of award of contract, the City may give notice to the financial institution of the City's intent to select the next most qualified "proposing financial institution" or call for new proposals, whichever the Finance Officer determines is most appropriate.
  - By submission of a proposal, each entity submitting a proposal certifies that:
    - It has not paid nor agreed to pay any person, other than a bona fide employee, a fee or a brokerage fee resulting from the award of the contract.
    - The City may, by written notice to the entity submitting the proposal reject the RFP or cancel any award under this RFP if it is found by the City that gratuities, in the form of entertainment, gifts or otherwise were offered or given to any representative of the City with a view toward securing an order or other favorable treatment with respect to this RFP or the entity submitting the proposal participated in collusion with another entity to restrain or eliminate competition.
    - The contents of this RFP and any clarifications distributed or issued by the City shall become part of the contractual obligation and incorporated by reference into the ensuing contracts, as the City deems appropriate.

Financial institutions whose proposals meet the requirements of this RFP may be interviewed.

# City of Sidney, Ohio

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### VII. EVALUATION CRITERIA

The total monthly service charge fees will **not** be the sole determining factor in designating the financial institution. The criteria for evaluating the proposals will be based upon a combination of factors listed below and are not listed in any order of importance:

- **Comprehensiveness of Services Provided:** Overall capabilities of the financial institution to meet the required banking services described in this RFP.
- **Service Enhancements:** The financial institution's efforts to understand our banking needs and goals, and the creativity the financial institution shows in introducing new technologies and efficiencies to improve our current practices and procedures.
- **Public Sector Experience and Resources:** The financial institution's experience in providing services to the public sector, as well as dedicated resources and personnel.
- **Strength and Stability of the Financial institution:** The financial institution's financial standing among its peers and the associated credit quality ratings.
- **Charges for Services:** The amount of proposed charges and pricing increases in subsequent years.
- **Cost of Transition:** The total cost of changing financial institutions.
- **Assigned Relationship Manager/Team:** The experience, expertise and qualifications of the key financial institution personnel assigned to our relationship.
- **Interview Results:** The quality of the in-person interview with the City's selection committee, performed only at the discretion of the City.
- **Responses to Reference Checks**
- **Other Factors:** Any other factors that we believe would be in our best interest to consider which were not previously described.

The City reserves the right to utilize other appropriate selection and evaluation criteria, as it considers necessary.

**EXHIBIT A**  
**CITY OF SIDNEY**  
**REQUEST FOR PROPOSAL FOR CITY BANKING SERVICES**  
**REQUIRED BANKING SERVICES**  
**ALL ACCOUNTS**

*Please be sure to include/add those items/fees not listed here that the bank would reasonably expect to be incurred under the City's banking structure.*

<u>AFP CODE</u>	<u>SERVICE</u>	<u>ANNUAL HISTORICAL VOLUME *</u>	<u>COST PER ITEM</u>
<b><u>OPERATING ACCOUNT:</u></b>			
<b>Online Banking Fees:</b>			
400222	Previous Day Account	12	
40027Z	Online Info Reporting Monthly	12	
400271	prev day tran - 6 months	15,537	
409999	Online outstanding check report	12	
999999	Online ACH Special Report	2	
999999	Online Special Report Image	2	
999999	Online Disbursements Monthly Main	12	
050030	Online AR advantage Monthly report	12	
409999	Event Notification-Per Event	600	
409999	Online ACH Monthly Maint	12	
409999	Online Event Notification Monthly	12	
<b>ACH Fees:</b>			
250200	ACH Received - Debit Items	301	
250201	ACH Received - Credit Items	7,102	
250102	Online ACH -Credits/Debits Originated	14,822	
251070	ACH Origination - Notification of Change	19	
250505	Online ACH File Processed	313	
250120	ACH Origination - Addenda Records	179	
250302	ACH Origination - Return Items	28	
251050	ACH Received - ACH Positive Pay - Main	12	
409999	Online Event ACH Positive Pay Monthly	12	
<b>Deposits and Related Services:</b>			
100200	Deposit Processing	506	
100220	Deposit Items On Us	243	
100223	Deposit Items Local RCPC	971	
100225	Deposit Items Regional	1,044	
109999	Image Cash Letter Maintenance	12	
109999	Image Cash Letter Deposit	1,436	
109999	Image Deposit On Us Items	1,634	
109999	Image Deposit Other Items	31,473	
100226	Deposit Items-Other Fed Premium	15	

\* Based upon actual results from 12/1/15 -11/30/16.

**EXHIBIT A**  
**CITY OF SIDNEY**  
**REQUEST FOR PROPOSAL FOR CITY BANKING SERVICES**  
**REQUIRED BANKING SERVICES**  
**ALL ACCOUNTS**

*Please be sure to include/add those items/fees not listed here that the bank would reasonably expect to be incurred under the City's banking structure.*

		ANNUAL			
		HISTORICAL		COST	
<u>AFP CODE</u>	<u>SERVICE</u>	<u>VOLUME *</u>		<u>PER ITEM</u>	
150100	Items Paid	4,805			
100402	Return Item Reclear	68			
100048	Currency Furnished	605			
100044	Coin Furnished (Rolls)	238			
100015	Cash Verification OTC	141,775			
<b>Automated Account Reconciliation with Positive Pay and CD-ROM imaging for Cancelled Checks:</b>					
200010	Account Reconciliation Full Monthly Mai	12			
200110	Account Reconciliation Full Recon	4805			
200310	ARP Hard Copy Reconciliation Report	12			
209999	Image Maintenance	12			
209999	ARP Image Items	4805			
209999	Image output CD	12			
200000	Positive pay monthly maintenance expens	12			
999999	Online ACH special report	385			
999999	Web disb issue add/cancel	200			
999999	Web disb issue file import	148			
999999	Web disb issue file import item	5085			
999999	Web disb check inquiries	53			
209999	Payee review items	4805			
209999	Payee review maintenance	12			
209999	Web image viewed	38			
150400	Web disb check inquiries-range	2			
150512	Cashiers Check	1			
<b>Wholesale Lockbox Fees (currently for EMS receipts from Third Party Provider):</b>					
050000	Lockbox Monthly Maintenance	16			
050100	Standard box maint -cleveland	354			
050030	Lockbox deposit ticket	197			
059999	Lockbox deposit item clearing	350			
059999	Lockbox workflow manager	16			
05011M	Lockbox Correspondence Only	227			
059999	Lockbox check image	350			
059999	Lockbox document image	1609			

\* Based upon actual results from 12/1/15 -11/30/16.

**EXHIBIT A  
CITY OF SIDNEY  
REQUEST FOR PROPOSAL FOR CITY BANKING SERVICES  
REQUIRED BANKING SERVICES  
ALL ACCOUNTS**

*Please be sure to include/add those items/fees not listed here that the bank would reasonably expect to be incurred under the City's banking structure.*

		ANNUAL				
		HISTORICAL		COST		
<u>AFP CODE</u>	<u>SERVICE</u>	<u>VOLUME *</u>		<u>PER ITEM</u>		
<b>WIRE TRANSFERS</b>						
350300	Incoming Wire Transfer	5				
<b>FDIC ASSESSMENT FEE</b>						
	Reserve requirements	%				
<b>SWEEP RATE</b>						
	Effective	%				
	Minimum	%				
Please include here the rate of interest that the automatic investment accounts (Sweep) are currently earning. Included elsewhere in your response, please indicate your prior 12-month rate history. In addition, please explain any formulas and calculations related to interest rate determinations. For instance, include any index rates (i.e. Federal Discount Rate) and their effect on the interest calculation. Your explanation should include a guaranteed minimum annual percentage yield.						
<b>OTHER FEES (please list)</b>						
<b><u>ALL OTHER FEES (please list)</u></b>						









## EXHIBIT D

### THE CITY OF SIDNEY INVESTMENT and DEPOSIT POLICY February 26, 2007

#### I. Policy Statement

It is the policy of the City of Sidney to invest all public funds in a manner which will provide maximum safety and preservation of principal, while meeting all liquidity and operating demands. The City of Sidney will strive to achieve a market rate of return that is consistent with the limited risk tolerance of the portfolio. All investment activities must conform to all applicable local, state and federal statutes governing the investment of public funds.

#### II. Scope

This investment policy applies to all financial assets of the City of Sidney.

##### A. *Pooling of Funds*

The City will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to various funds in accordance with generally accepted accounting principles and the City of Sidney's Statement of Financial Policy.

#### III. Objectives

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

##### A. *Safety*

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

1. Limiting investments to the securities authorized by this policy
2. Pre-qualifying the financial institutions, broker/dealers, and advisors with which the City of Sidney will do business
3. Diversifying the investment portfolio so that potential losses on individual securities will not significantly affect the safety of the portfolio
4. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity
5. Committing to a staggered-maturity ("laddered") portfolio to provide an opportunity to regularly reinvest as well as to enhance liquidity.

##### B. *Liquidity*

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by:

1. Structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands.
2. The portfolio should consist largely of securities with active secondary or resale markets.

3. A portion of the portfolio should be placed in money market funds or local government pools (Star Ohio) which offer same-day liquidity for short-term funds.

*C. Yield*

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above.

#### **IV. Standards of Care**

*A. Delegation of Authority*

Authority to manage the investment program is hereby delegated to the Finance Officer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program, consistent with this investment policy. The Finance Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Officer.

*B. Prudence*

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

*C. Ethics and Conflicts of Interest*

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Investment officials shall disclose any material interest in financial institutions with which they conduct business on behalf of the City of Sidney. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio.

#### **V. Authorized Financial Institutions and Dealers**

Any financial institution, as defined by O.R.C. 135.03, is eligible to serve as an approved depository and/or investment provider. Eligible securities dealers and brokers must be members of the National Association of Securities Dealers (NASD), meet a minimum capital requirement of \$10,000,000, and have been in operation for at least five years. These may include “primary” dealers or regional dealers that qualify under the Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). An investment advisor must be an eligible financial institution as defined by O.R.C. 135.03, or an advisor that is registered with the Securities and Exchange Commission.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Finance Officer with the following when requested, if applicable:

- A. Audited financial statements
- B. Proof of NASD certification
- C. Proof of state registration
- D. Completed broker/dealer questionnaire
- E. Certification of having received and understood the City of Sidney's Investment Policy, and agreeing to comply with the policy
- F. Depository Agreement
- G. Other relevant information as requested.

The Finance Officer will conduct a review of the financial condition and registration of qualified bidders at least once every five years.

The Finance Officer will maintain a list of authorized institutions and dealers. The Finance Officer:

- A. May make additions to the authorized list when investment and deposit policy requirements are met;
- B. Shall make deletions from the list (i) if and as directed by ordinance of City Council, (ii) upon failure of the financial institution to meet the requirement of this policy, or (iii) upon request of the financial institution or dealer; and
- C. May make deletions from the list based on the following:
  - 1. Perceived financial difficulties of the financial institution or dealer;
  - 2. Consistent lack of competitiveness by the financial institution or dealer;
  - 3. Lack of experience or familiarity of the account representative in providing service to large institutional accounts; or
  - 4. When deemed in the best interest of the City.

## **VI. Central Depository**

City checking and cash management services will be concentrated in no more than two (2) depositories.

To ensure the City of Sidney will receive the best service possible, and that financial institutions will have an equal opportunity to participate, the City will competitively seek quotes for a central depository bank(s) through a request for proposals at least every five (5) years.

The central depository bank(s) will have the same opportunity as other eligible financial institutions to provide quotes on the investment of the City's excess funds.

## **VII. Authorized Investments**

The Finance Officer may invest on behalf of and in the name of the City in the following instruments at a price not exceeding their fair market value:

- A. *U.S. Government Securities*  
Direct obligations of the Department of Treasury of the United States of America (bills, bonds and notes)
- B. *U.S. Government Agency Securities and U.S. Government Instrumentality Securities*

Bonds, notes, debentures or other obligations or securities issued by any U.S. government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, or the Small Business Administration. All federal agency or instrumentality securities must be direct issuances of the federal agency or instrumentality.

C. *Interest-Bearing Certificates of Deposit*

Eligible certificates of deposit of any financial institution eligible to become a public depository in accordance with Section 135.03 of the Ohio Revised Code.

D. *Commercial Paper*

Commercial paper which is rated at the time of purchase in the single highest classification by Moody's or Standard & Poor's.

E. *Bankers Acceptances*

Bankers acceptances which are eligible for purchase by the Federal Reserve System and which are issued by institutions which are ranked nationally as being in the top fifty in asset and deposit size within their industry.

F. *Repurchase Agreements*

Repurchase agreements of a bank or savings and loan association organized under the laws of the U.S. or State of Ohio for negotiable direct obligations of the United States or U.S. federal agencies. If any repurchase agreement obligations do not have the backing of the full faith and credit of the United States, any such investments shall be secured by collateral as provided in Section X herein.

G. *Money Market Funds*

Money market funds whose portfolios consist of the foregoing (A-F).

H. *State Treasury Asset Reserve of Ohio*

The State Treasury Asset Reserve of Ohio ("Star Ohio") is a statewide investment pool managed by the Treasurer of the State of Ohio similar in concept to a money market fund. It is available exclusively to political subdivisions of Ohio.

I. *NOW Accounts*

NOW Accounts, Super-NOW Accounts, or any similar account authorized by the Federal Reserve's Depository Institutions' Deregulation Committee.

## **VIII. Derivatives**

Investment in derivatives is strictly forbidden. A derivative is defined in ORC 135 as a financial instrument, contract or obligation whose value is based upon or linked to another asset or index or both, separate from the financial instrument, contract or obligation itself.

## **IX. Investment Parameters**

A. *Diversification*

The investment portfolio shall be diversified by:

1. Avoiding over-concentration in securities from a specific issuer or business sector (excluding securities issued by the United States government, or an agency or instrumentality thereof). The following maximum allocations are established:
  - a. Certificates of Deposit – no more that 40% of the total market value of the portfolio;
  - b. Commercial Paper and Bankers Acceptances – no more that 25% of the total market value of the portfolio may be committed to these two classifications combined;
  - c. Repurchase agreements, money market funds, STAR Ohio, and NOW accounts – no more that 50% of the total market value of the portfolio may be committed to these classifications combined;
2. Investing in securities with varying maturities; and
3. Continuously investing a portion of the portfolio in readily available funds such as money market funds, overnight repurchase agreements or local government investment pools to ensure appropriate liquidity is maintained in order to meet ongoing obligations.

*B. Maximum Maturities*

To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow requirement, the City will not directly invest in securities maturing more than five (5) years from the date of purchase.

## **X. Security for Repayment of Public Deposits**

All public depositories shall comply with the Ohio Revised Code, including sections 135.18 and 135.181, with respect to collateralized security for the deposits of the City of Sidney. Failure of an institution to abide by any of the provisions of this section is cause for immediate suspension of the institution as a qualified depository for any City funds.

## **XI. Competitive Quotes**

The purpose of seeking competitive quotes is to strengthen the investment program in terms of the level and consistency of performance. Unless otherwise directed by this policy, all sales of securities will be quoted competitively. To the extent practical, all investments will be placed with financial institutions yielding the highest returns to the City. The right is reserved to reject the quote yielding the highest return of interest on any investment if inconsistent with the City's investment strategy, i.e. maturity, risk, liquidity, etc.

Price and rate quotations on all trades may be obtained from sources within and outside the City. In the case of the sale of securities or the purchase of securities where all other factors are considered by the Finance Officer to be equal, the financial institution selected for placement will be determined by the following criteria and order of priority: 1) the financial institution situated within the City, or 2) the financial institution with the lesser amount of City funds on deposit at the time of the purchase of the security.

The Finance Officer may deposit up to 5% of the investment portfolio without competitive quotes in public depositories located within the city's corporate boundaries. These deposits shall be equally distributed among all depositories that qualify.

**XII. Safekeeping and Custody**

All security transactions, including collateral pledges, except for “pooled collateral” arrangements, shall be conducted on a delivery versus payment basis. Securities will be held by a third party custodian designated by the Finance Officer and evidenced by safekeeping receipts.

**XIII. Reporting**

A. The Finance Officer will be responsible to provide regular reports (at least quarterly) to the City Manager and City Council about the City’s investment activities. The report should include, at a minimum, the market value and book value of the portfolio, information on the allocation of the portfolio by type of investment security, and yield of the portfolio compared to relevant benchmarks (see section B below). At least quarterly, the Finance Officer shall provide to the City Manager a detailed report with a description of each security on hand and the financial institution from which it was purchased.

B. The quarterly reports required by Section A above must provide a comparison of the weighted average yield of the City’s portfolio compared to the current yield on one-year and two-year U.S. Treasury securities.

**XIV. Policy Considerations**

A. Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

B. This policy shall be reviewed on an annual basis. The policies as stated herein may be changed only with the approval of City Council.

9/20/01  
Rev. 3/22/04  
Rev. 2/26/07

**STATEMENT OF FINANCIAL INSTITUTION OR BROKER / DEALER**

The undersigned acknowledges receipt of the City of Sidney’s Investment and Deposit Policy dated February 26, 2007, and that he/she has read and understands the policy.

Name of Financial Institution or Broker/Dealer: \_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

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