Request for Proposal Notice
for Depository Services by
Highland Park Independent School District
7015 Westchester Drive
Dallas, TX, 75205

The Highland Park 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, 2017 and ending August 31, 2019 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 March 3, 2017. Responses to all material questions submitted will be communicated in writing or by email to all known interested banks by 10:00 am on March 7, 2017.

Proposal Submission
To be eligible for consideration under this request, the bank must submit three complete paper copies of each proposal by 10:00 am CST or CDT on March 23, 2017 to the address below. The district will not accept proposals received after that time. Late submissions to the district address will be returned unopened. No electronic submissions can be accepted.

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.
The proposals must be delivered by US mail, express mail, or in person to:
Mary B. Witcher     214-780-3021
Purchasing Coordinator WitcheM@hpisd.org
7015 Westchester Drive
Dallas, TX 75205

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 $5,000.00 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 not 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:

- 30 % - Cost of services (charges for keeping district accounts, records, and reports and for furnishing checks)
- 10 % - Automated services offered
- 20 % - 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)
- 10 % - Collateralization policy and type of third-party institution holding collateral
- 10 % - Fraud prevention and notification policy
- 20 % - Interest rates offered on time deposits
- 100% - 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.

**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:

- **02/15/2017** Release of Request for Proposal (RFP)
- **03/03/2017** Deadline for questions concerning the RFP or services requested – 10 AM
- **03/07/2017** Responses given to any questions provided to all known interested banks
- **03/23/2017** Deadline for proposal submission – 10 AM
- **04/11/2017** District Board award of contract (banks notified on 4/12/2017)
- **09/01/2017** 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.
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.

<table>
<thead>
<tr>
<th>Type of Account</th>
<th>Number of Accounts</th>
<th>Interest Bearing/Non-Interest Bearing</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Operating</td>
<td>1</td>
<td>IB</td>
</tr>
<tr>
<td>Payroll</td>
<td>1</td>
<td>NIB</td>
</tr>
<tr>
<td>Debt Service</td>
<td>1</td>
<td>IB</td>
</tr>
<tr>
<td>Curriculum Department</td>
<td>1</td>
<td>IB</td>
</tr>
<tr>
<td>Employee Activity Fund</td>
<td>1</td>
<td>IB</td>
</tr>
<tr>
<td>Student &amp; Campus Activity Fund</td>
<td>8</td>
<td>IB</td>
</tr>
</tbody>
</table>

Last Modified: 2/15/2017 11:31 AM
## VOLUMES

<table>
<thead>
<tr>
<th>Type of Account</th>
<th>Average Number of Items</th>
<th>Average $ Amount of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td>0</td>
<td>Sent directly to Investment Pool</td>
</tr>
<tr>
<td>Food Service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Daily deposits</td>
<td>0</td>
<td>Handled by the PTA’s</td>
</tr>
<tr>
<td>Payroll</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly checks</td>
<td>71</td>
<td></td>
</tr>
<tr>
<td>Monthly direct deposit</td>
<td>906</td>
<td></td>
</tr>
<tr>
<td>Semi-monthly checks</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Semi-monthly direct deposit</td>
<td>79</td>
<td></td>
</tr>
<tr>
<td>Monthly payroll</td>
<td>$2,782,030</td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly checks/payments</td>
<td>480</td>
<td>$3,926,775</td>
</tr>
<tr>
<td>Deposits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Daily deposits</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

### Activity Funds (Number of accounts)

- High School Student & Campus Activity: 2
- Middle School Campus Activity: 1
- Intermediate School Campus Activity: 1
- Elementary School Campus Activity: 4
- Employee Activity Fund: 1

## ACCOUNT STRUCTURE

<table>
<thead>
<tr>
<th>Type of Account</th>
<th>Number of Accounts</th>
<th>Description of Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest-Bearing Checking Account</td>
<td>12</td>
<td>1 General Operating, 1 Debt Service, 1 Curriculum Department, 1 Employee Activity Fund, 8 Student &amp; Campus Activity Funds</td>
</tr>
<tr>
<td>Zero-Balance Account</td>
<td>1</td>
<td>Payroll</td>
</tr>
<tr>
<td>Positive Pay</td>
<td>2</td>
<td>Payroll &amp; General Operating</td>
</tr>
</tbody>
</table>
Proposal Form
for Depository Services
by Highland Park Independent School District

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 01/2016 and ending 12/2016 was:

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

Also, please complete the information by month according to Attachment A, Bank Historical Information.

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 C1 and C2, District Investment Policy.

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.

<table>
<thead>
<tr>
<th>Maturity</th>
<th>Basis point spread over (+) or under (−)</th>
</tr>
</thead>
<tbody>
<tr>
<td>T-Bill &quot;asked&quot; yield [District-specified rate]</td>
<td></td>
</tr>
<tr>
<td>7 – 29 Days</td>
<td>______________________________</td>
</tr>
<tr>
<td>30 – 59 Days</td>
<td>______________________________</td>
</tr>
<tr>
<td>60 – 89 Days</td>
<td>______________________________</td>
</tr>
<tr>
<td>90 – 179 Days</td>
<td>______________________________</td>
</tr>
<tr>
<td>180 – 364 Days</td>
<td>______________________________</td>
</tr>
<tr>
<td>365 Days or More</td>
<td>______________________________</td>
</tr>
</tbody>
</table>

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 $88,000,000.00.

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.

**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. We have attached our investment policy to this proposal notice, Attachments C1 and C2, District Investment Policy.

9. We may conduct a preaward interview on-site at your deposition 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.

   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

   - 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? 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 as well as by District Investment Policy, Attachments C1 and C2.

- 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.

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 payday(s)?

2. Merchant Services
   We do not currently accept credit card payments. 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.
   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, which can be found at [http://www.hpisd.org/Portals/0/docs/business/budget/CAFR.pdf](http://www.hpisd.org/Portals/0/docs/business/budget/CAFR.pdf)
- Attachment A, Volumes for Pricing Transactions (also available on our website at [http://www.hpisd.org/Departments/Purchasing/CurrentBidsandProposals.aspx](http://www.hpisd.org/Departments/Purchasing/CurrentBidsandProposals.aspx))
- Attachment B, District’s Current Account Structure
- Attachment C, District Investment Policy

You must include the following information with the proposal:

- copy of your audited financial statements
- corporate audited financial statements and the individual depository’s call report (for members of your holding companies)
- 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
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: ________________________________
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.

<table>
<thead>
<tr>
<th>Type of Account</th>
<th>Number of Accounts</th>
<th>Interest Bearing/ Non-Interest Bearing</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Operating</td>
<td>1</td>
<td>IB</td>
</tr>
<tr>
<td>Payroll</td>
<td>1</td>
<td>NIB</td>
</tr>
<tr>
<td>Debt Service</td>
<td>1</td>
<td>IB</td>
</tr>
<tr>
<td>Curriculum Department</td>
<td>1</td>
<td>IB</td>
</tr>
<tr>
<td>Employee Activity Fund</td>
<td>1</td>
<td>IB</td>
</tr>
<tr>
<td>Student &amp; Campus Activity Fund</td>
<td>8</td>
<td>IB</td>
</tr>
</tbody>
</table>
VOLUMES

<table>
<thead>
<tr>
<th>Type of Account</th>
<th>Average Number of Items</th>
<th>Average $ Amount of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td>0</td>
<td>Sent directly to Investment Pool</td>
</tr>
<tr>
<td>Food Service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Daily deposits</td>
<td>0</td>
<td>Handled by the PTA's</td>
</tr>
<tr>
<td>Payroll</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly checks</td>
<td>71</td>
<td></td>
</tr>
<tr>
<td>Monthly direct deposit</td>
<td>906</td>
<td></td>
</tr>
<tr>
<td>Semi-monthly checks</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Semi-monthly direct deposit</td>
<td>79</td>
<td></td>
</tr>
<tr>
<td>Monthly payroll</td>
<td>$2,782,030</td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly checks/payments</td>
<td>480</td>
<td>$3,926,775</td>
</tr>
<tr>
<td>Deposits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Daily deposits</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Activity Funds (Number of accounts)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High School Student &amp; Campus Activity</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Middle School Campus Activity</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Intermediate School Campus Activity</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Elementary School Campus Activity</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Employee Activity Fund</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

ACCOUNT STRUCTURE

<table>
<thead>
<tr>
<th>Type of Account</th>
<th>Number of Accounts</th>
<th>Description of Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest-Bearing Checking Account</td>
<td>12</td>
<td>1 General Operating, 1 Debt Service, 1 Curriculum Department, 1 Employee Activity Fund, 8 Student &amp; Campus Activity Funds</td>
</tr>
<tr>
<td>Zero-Balance Account</td>
<td>1</td>
<td>Payroll</td>
</tr>
<tr>
<td>Positive Pay</td>
<td>2</td>
<td>Payroll &amp; General Operating</td>
</tr>
</tbody>
</table>
All investments made by a district shall comply with the Public Funds Investment Act (Texas Government Code Chapter 2256, Subchapter A) and all federal, state, and local statutes, rules or regulations.  

Gov't Code 2256.026

WRITTEN POLICIES

Investments shall be made in accordance with written policies approved by the board. The investment policies must primarily emphasize safety of principal and liquidity and must address investment diversification, yield, and maturity and the quality and capability of investment management. The policies must include:

1. A list of the types of authorized investments in which a district’s funds may be invested;
2. The maximum allowable stated maturity of any individual investment owned by the district;
3. For pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date of the portfolio;
4. Methods to monitor the market price of investments acquired with public funds;
5. A requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis; and
6. Procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Government Code 2256.021 [see LOSS OF REQUIRED RATING, below].

Gov't Code 2256.005(b)

ANNUAL REVIEW

The board shall review its investment policy and investment strategies not less than annually. The board shall adopt a written instrument stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.  

Gov't Code 2256.005(e)

ANNUAL AUDIT

A district shall perform a compliance audit of management controls on investments and adherence to the district’s established investment policies. The compliance audit shall be performed in conjunction with the annual financial audit.  

Gov't Code 2256.005(m)

INVESTMENT STRATEGIES

As part of the investment policy, a board shall adopt a separate written investment strategy for each of the funds or group of funds under the board’s control. Each investment strategy must describe
the investment objectives for the particular fund under the following priorities in order of importance:

1. Understanding of the suitability of the investment to the financial requirements of the district;
2. Preservation and safety of principal;
3. Liquidity;
4. Marketability of the investment if the investment needs to be liquidated before maturity;
5. Diversification of the investment portfolio; and
6. Yield.

Gov't Code 2256.005(d)

A district shall designate one or more officers or employees as investment officer(s) to be responsible for the investment of its funds. If the board has contracted with another investing entity to invest its funds, the investment officer of the other investing entity is considered to be the investment officer of the contracting board’s district. In the administration of the duties of an investment officer, the person designated as investment officer shall exercise the judgment and care, under prevailing circumstances that a prudent person would exercise in the management of the person’s own affairs, but the board retains the ultimate responsibility as fiduciaries of the assets of the district. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the district. Authority granted to a person to invest the district’s funds is effective until rescinded by the district or until termination of the person’s employment by a district, or for an investment management firm, until the expiration of the contract with the district.  Gov’t Code 2256.005(f)

A district or investment officer may use the district’s employees or the services of a contractor of the district to aid the investment officer in the execution of the officer’s duties under Government Code, Chapter 2256.  Gov’t Code 2256.003(c)

Within 12 months after taking office or assuming duties, the chief financial officer and the investment officer of a district shall attend at least one training session from an independent source approved either by the board or by a designated investment committee advising the investment officer. This initial training must contain at least ten hours of instruction relating to their respective responsibilities under the Public Funds Investment Act.  Gov’t Code 2256.008(a)
The chief financial officer and the investment officer must also attend an investment training session not less than once in a two-year period that begins on the first day of the district’s fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than eight hours of instruction relating to investment responsibilities under the Public Funds Investment Act from an independent source approved by the board or a designated investment committee advising the investment officer. If a district has contracted with another investing entity to invest the district’s funds, this training requirement may be satisfied by having a board officer attend four hours of appropriate instruction in a two-year period that begins on the first day of the district’s fiscal year and consists of the two consecutive fiscal years after that date. *Gov’t Code 2256.008(a-1)–(b)*

Investment training shall include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with the Government Code, Chapter 2256. *Gov’t Code 2256.008(c)*

Investments shall be made with judgment and care, under prevailing circumstances that a person of prudence, discretion, and intelligence would exercise in the management of his or her own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Investments shall be governed by the following objectives in order of priority:

1. Preservation and safety of principal;
2. Liquidity; and
3. Yield.

In determining whether an investment officer has exercised prudence with respect to an investment decision, the following shall be taken into consideration:

1. The investment of all funds, rather than the prudence of a single investment, over which the officer had responsibility.
2. Whether the investment decision was consistent with a board’s written investment policy.

*Gov’t Code 2256.006*

A district investment officer who has a personal business relationship with a business organization offering to engage in an investment transaction with the district shall file a statement disclosing that personal business interest. An investment officer who is relat-
ed within the second degree by affinity or consanguinity, as determined by Government Code Chapter 573, to an individual seeking to sell an investment to the investment officer’s district shall file a statement disclosing that relationship. A required statement must be filed with the board and with the Texas Ethics Commission. For purposes of this policy, an investment officer has a personal business relationship with a business organization if:

1. The investment officer owns ten percent or more of the voting stock or shares of the business organization or owns $5,000 or more of the fair market value of the business organization;

2. Funds received by the investment officer from the business organization exceed ten percent of the investment officer’s gross income for the previous year; or

3. The investment officer has acquired from the business organization during the previous year investments with a book value of $2,500 or more for the personal account of the investment officer.

Gov’t Code 2256.005(i)

Not less than quarterly, an investment officer shall prepare and submit to a board a written report of investment transactions for all funds covered by the Public Funds Investment Act for the preceding reporting period. This report shall be presented to a board and a superintendent, not less than quarterly, within a reasonable time after the end of the reporting period. The report must:

1. Contain a detailed description of the investment position of a district on the date of the report.

2. Be prepared jointly and signed by all district investment officers.

3. Contain a summary statement for each pooled fund group (i.e., each internally created fund in which one or more accounts are combined for investing purposes) that states the:
   a. Beginning market value for the reporting period;
   b. Ending market value for the period; and
   c. Fully accrued interest for the reporting period.

4. State the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested.

5. State the maturity date of each separately invested asset that has a maturity date.
6. State the account or fund or pooled group fund in a district for which each individual investment was acquired.

7. State the compliance of the investment portfolio of a district as it relates to the district's investment strategy expressed in the district's investment policy and relevant provisions of Government Code, Chapter 2256.

If a district invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the board by that auditor.

Gov't Code 2256.023

SELECTION OF BROKER

A board or a designated investment committee, shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with a district.

Gov't Code 2256.025

AUTHORIZED INVESTMENTS

A board may purchase, sell, and invest its funds and funds under its control in investments described below, in compliance with its adopted investment policies and according to the standard of care set out in this policy. Investments may be made directly by a board or by a nonprofit corporation acting on behalf of the board or an investment pool acting on behalf of two or more local governments, state agencies, or a combination of the two. Gov't Code 2256.003(a)

In the exercise of these powers, a board may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control. A contract made for such purpose may not be for a term longer than two years. A renewal or extension of the contract must be made by a board by order, ordinance, or resolution. Gov't Code 2256.003(b)

The following investments are authorized for districts, although the board may specify in its investment policy that any such investment is not suitable, per Government Code 2256.005(j):

1. Obligations, including letters of credit, of the United States or its agencies and instrumentalities; direct obligations of the state of Texas or its agencies and instrumentalities; 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; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the state of Texas, the United States, or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or by the explicit full faith and credit of the United States; 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 bonds issued, assumed, or guaranteed by the state of Israel.  Gov’t Code 2256.009(a)

The following investments are not authorized:

a. Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal.

b. Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.

c. Collateralized mortgage obligations that have a stated final maturity date of greater than ten years.

d. Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Gov’t Code 2256.009(b)

2. Certificates of deposit or share certificates issued by a depository institution that has its main office or a branch office in Texas that is guaranteed or insured by the FDIC or its successor or the National Credit Union Share Insurance Fund or its successor and is secured by obligations described in item 1 above, including mortgage-backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates [but excluding those mortgage-backed securities described in Section 2256.009(b)] or secured in any other manner and amount provided by law for the deposits of the investing entity.  Gov’t Code 2256.010(a)

In addition to the authority to invest funds in certificates of deposit under the previous section, an investment in certificates of deposit made in accordance with the following conditions is an authorized investment under Government Code 2256.010:
The funds are invested by the district through a broker that has its main office or a branch office in this state and is selected from a list adopted by the district as required by Government Code 2256.025, or a depository institution that has its main office or a branch office in this state and that is selected by the district;

b. The broker or depository institution selected by the district arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the district;

c. The full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and

d. The district appoints the depository institution selected by the district, an entity described by Government Code 2257.041(d), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the district with respect to the certificates of deposit issued for the account of the district entity.

Gov’t Code 2256.010(b)

The investment policies may provide that bids for certificates of deposit be solicited orally, in writing, electronically, or in any combination of those methods. Gov’t Code 2256.005(c)

3. Fully collateralized “repurchase agreements” [as defined by Government Code 2256.011(b)] that have a defined termination date; are secured by a combination of cash and obligations of the United States or its agencies and instrumentalities; require the securities being purchased by the district or cash held by the district to be pledged to the district, held in the district’s name, and deposited with the district or a third party selected and approved by the district, and are placed through a primary government securities dealer, as defined by the Federal Reserve or a financial institution doing business in Texas. The term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered. Money received by a district under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in
the reverse security repurchase agreement. *Gov’t Code 2256.011*

4. A securities lending program if:
   
a. The value of securities loaned is not less than 100 percent collateralized, including accrued income, and the loan allows for termination at any time;
   
b. The loan is secured by:
      
      (1) Pledged securities described by Government Code 2256.009;
      
      (2) Pledged irrevocable letters of credit issued by a bank that is organized and existing under the laws of the United States or any other state and continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent; or
      
      (3) Cash invested in accordance with Government Code 2256.009, 2256.013, 2256.014, or 2256.016;
   
c. The terms of the loan require that the securities being held as collateral be pledged to the investing entity, held in the investing entity’s name, and deposited at the time the investment is made with the entity or with a third party selected by or approved by the investing entity; and
   
d. The loan is placed through a primary government securities dealer or a financial institution doing business in this state.

An agreement to lend securities under a securities lending program must have a term of one year or less.

*Gov’t Code 2256.0115*

5. Banker’s acceptance, with a stated maturity of 270 days or fewer from the date of issuance that will be liquidated in full at maturity, which is eligible for collateral for borrowing from a Federal Reserve Bank, and is accepted by a bank meeting the requirements of Government Code 2256.012(4). *Gov’t Code 2256.012*

6. Commercial paper that has a stated maturity of 270 days or fewer from the date of issuance and is rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies or by one nationally recognized credit rating agency provided the commercial paper is fully
secured by an irrevocable letter of credit issued by a bank organized and existing under United States law or the law of any state. Gov’t Code 2256.013

7. No-load money market mutual funds that:
   a. Are registered with and regulated by the Securities and Exchange Commission;
   c. Have a dollar-weighted average stated maturity of 90 days or fewer; and
   d. Include in their investment objectives the maintenance of a stable net asset value of $1 for each share.

   However, investments in no-load money market mutual funds shall be limited to the percentages authorized by Government Code 2256.014(c).

8. No-load mutual funds that:
   a. Are registered with the Securities and Exchange Commission;
   b. Have an average weighted maturity of less than two years;
   c. Are invested exclusively in obligations approved by Government Code Chapter 2256, Subchapter A, regarding authorized investments (Public Funds Investment Act);
   d. Are continuously rated by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; and
   e. Conform to the requirements in Government Code 2256.016(b) and (c) relating to the eligibility of investment pools to receive and invest funds of investing entities.

   Investments in no-load mutual funds shall be limited to the percentages authorized by Government Code 2256.014(c).

   In addition, a district may not invest any portion of bond proceeds, reserves, and funds held for debt service, in no-load mutual funds described in this item.

   Gov’t Code 2256.014
9. A guaranteed investment contract, as an investment vehicle for bond proceeds, if the guaranteed investment contract:
   a. Has a defined termination date.
   b. Is secured by obligations described by Government Code 2256.009(a)(1), excluding those obligations described by Section 2256.009(b), in an amount at least equal to the amount of bond proceeds invested under the contract.
   c. Is pledged to a district and deposited with the district or with a third party selected and approved by the district.

Bond proceeds, other than bond proceeds representing reserves and funds maintained for debt service purposes, may not be invested in a guaranteed investment contract with a term longer than five years from the date of issuance of the bonds.

To be eligible as an authorized investment:
   a. A board must specifically authorize guaranteed investment contracts as eligible investments in the order, ordinance, or resolution authorizing the issuance of bonds.
   b. A district must receive bids from at least three separate providers with no material financial interest in the bonds from which proceeds were received.
   c. A district must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received.
   d. The price of the guaranteed investment contract must take into account the reasonably expected drawdown schedule for the bond proceeds to be invested.
   e. The provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.

Gov't Code 2256.015

10. A public funds investment pool meeting the requirements of Government Code 2256.016 and 2256.019, if a board authorizes the investment in the particular pool by resolution. Gov't Code 2256.016, .019

11. Corporate bonds: A district that qualifies as an issuer as defined by Government Code 1371.001 [see CCF] may purchase, sell, and invest its funds and funds under its control in
"corporate bonds" (as defined in Government Code 2256.0204(a)) that, at the time of purchase, are rated by a nationally recognized investment rating firm “AA” or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased. *Gov’t Code 2256.0204(b)–(c)*

The district is not authorized to:

a. Invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds, reserves, and other funds held for the payment of debt service, in corporate bonds; or

b. Invest more than 25 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity.

*Gov’t Code 2256.0204(d)*

The district may purchase, sell, and invest its funds and funds under its control in corporate bonds if the board:

a. Amends its investment policy to authorize corporate bonds as an eligible investment;

b. Adopts procedures to provide for monitoring rating changes in corporate bonds acquired with public funds, and liquidating the investment in corporate bonds; and

c. Identifies the funds eligible to be invested in corporate bonds.

*Gov’t Code 2256.0204(e)*

The district investment officer, acting on behalf of the district, shall sell corporate bonds in which the district has invested its funds not later than the seventh day after the date a nationally recognized investment rating firm:

a. Issues a release that places the corporate bonds or the domestic business entity that issued the corporate bonds on negative credit watch or the equivalent, if the corporate bonds are rated “AA” or the equivalent at the time the release is issued; or

b. Changes the rating on the corporate bonds to a rating lower than “AA” or the equivalent.

*Gov’t Code 2256.0204(f)*

Corporate bonds are not an eligible investment for a public funds investment pool. *Gov’t Code 2256.0204(g)*
A district is not required to liquidate investments that were authorized investments at the time of purchase. *Gov’t Code 2256.017*

An investment that requires a minimum rating does not qualify as an authorized investment during the period the investment does not have the minimum rating. A district shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating. *Gov’t Code 2256.021*

A written copy of the investment policy shall be presented to any person offering to engage in an investment transaction with a district or to an investment management firm under contract with a district to invest or manage the district’s investment portfolio. For purposes of this section, a business organization includes investment pools and an investment management firm under contract with a district to invest or manage the district’s investment portfolio. The qualified representative of the business organization offering to engage in an investment transaction with a district shall execute a written instrument in a form acceptable to the district and the business organization substantially to the effect that the business organization has:

1. Received and thoroughly reviewed the district investment policy; and

2. Acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the district and the organization that are not authorized by the district’s policy, except to the extent that this authorization is dependent on an analysis of the makeup of the district’s entire portfolio or requires an interpretation of subjective investment standards.

The investment officer may not acquire or otherwise obtain any authorized investment described in a district’s investment policy from a person who has not delivered to the district the instrument described above. *Gov’t Code 2256.005(k)–(l)*

A gift, devise, or bequest made to provide college scholarships for district graduates may be invested by a board as provided in Property Code 117.004, unless otherwise specifically provided by the terms of the gift, devise, or bequest. *Education Code 45.107*

Investments donated to a district for a particular purpose or under terms of use specified by the donor are not subject to the require-
A district may use electronic means to transfer or invest all funds collected or controlled by the district.  

Gov’t Code 2256.051
The assistant superintendent for business services or staff designee shall serve as the investment officer of the District and shall invest District funds as directed by the Board and in accordance with the District’s written investment policy and generally accepted accounting procedures. All investment transactions except investment pool funds and mutual funds shall be settled on a delivery versus payment basis.

From those investments authorized by law and described further in CDA(LEGAL) under AUTHORIZED INVESTMENTS, the Board shall permit investment of District funds in only the following investment types, consistent with the strategies and maturities defined in this policy:

1. Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009.

2. Certificates of deposit and share certificates as permitted by Government Code 2256.010.


5. Banker’s acceptances as permitted by Government Code 2256.012.


7. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014.

8. A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015.


The primary goal of the investment program is to ensure safety of principal, to maintain liquidity, and to maximize financial returns within current market conditions in accordance with this policy. Investments shall be made in a manner that ensures the preservation of capital in the overall portfolio, and offsets during a 12-month period any market price losses resulting from interest-rate fluctuations by income received from the balance of the portfolio. No individual investment transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio.
<table>
<thead>
<tr>
<th>Topic</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>INVESTMENT MANAGEMENT</td>
<td>In accordance with Government Code 2256.005(b)(3), the quality and capability of investment management for District funds shall be in accordance with the standard of care, investment training, and other requirements set forth in Government Code Chapter 2256.</td>
</tr>
<tr>
<td>LIQUIDITY AND MATURITY</td>
<td>Any internally created pool fund group of the District shall have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District shall not exceed one year from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits.</td>
</tr>
<tr>
<td>DIVERSITY</td>
<td>The District’s investment portfolio shall have sufficient liquidity to meet anticipated cash flow requirements.</td>
</tr>
<tr>
<td>MONITORING MARKET PRICES</td>
<td>The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer.</td>
</tr>
<tr>
<td>QUARTERLY REPORT</td>
<td>The quarterly report, as required by law, shall be prepared and signed by the District’s investment officers.</td>
</tr>
<tr>
<td>MONITORING RATING CHANGES</td>
<td>In accordance with Government Code 2256.005(b), the investment officer shall develop a procedure to monitor changes in investment ratings and to liquidate investments that do not maintain satisfactory ratings.</td>
</tr>
<tr>
<td>FUNDS / STRATEGIES</td>
<td>Investments of the following fund categories shall be consistent with this policy and in accordance with the applicable strategy defined below. All strategies described below for the investment of a particular fund should be based on an understanding of the suitability of an investment to the financial requirements of the District and consider preservation and safety of principal, liquidity, marketability of an investment if the need arises to liquidate before maturity, diversification of the investment portfolio, and yield.</td>
</tr>
<tr>
<td>OPERATING FUNDS</td>
<td>Investment strategies for operating funds (including any commingled pools containing operating funds) shall have as their primary</td>
</tr>
<tr>
<td><strong>AGENCY FUNDS</strong></td>
<td>Investment strategies for agency funds shall have as their primary objectives preservation and safety of principal, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements.</td>
</tr>
<tr>
<td><strong>DEBT SERVICE FUNDS</strong></td>
<td>Investment strategies for debt service funds shall have as their primary objective sufficient investment liquidity to timely meet debt service payment obligations in accordance with provisions in the bond documents. Maturities longer than one year are authorized provided legal limits are not exceeded.</td>
</tr>
<tr>
<td><strong>CAPITAL PROJECT FUNDS</strong></td>
<td>Investment strategies for capital project funds shall have as their primary objective sufficient investment liquidity to timely meet capital project obligations. Maturities longer than one year are authorized provided legal limits are not exceeded.</td>
</tr>
<tr>
<td><strong>SAFEKEEPING AND CUSTODY</strong></td>
<td>The District shall retain clearly marked receipts providing proof of the District's ownership. The District may delegate, however, to an investment pool the authority to hold legal title as custodian of investments purchased with District funds by the investment pool.</td>
</tr>
<tr>
<td><strong>BROKERS / DEALERS</strong></td>
<td>Prior to handling investments on behalf of the District, brokers/dealers must submit required written documents in accordance with law. [See SELLERS OF INVESTMENTS, CDA(LEGAL)] Representatives of brokers/dealers shall be registered with the Texas State Securities Board and must have membership in the Securities Investor Protection Corporation (SIPC), and be in good standing with the Financial Industry Regulatory Authority (FINRA).</td>
</tr>
<tr>
<td><strong>SOLICITING BIDS FOR CD'S</strong></td>
<td>In order to get the best return on its investments, the District may solicit bids for certificates of deposit in writing, by telephone, or electronically, or by a combination of these methods.</td>
</tr>
<tr>
<td><strong>INTEREST RATE RISK</strong></td>
<td>To reduce exposure to changes in interest rates that could adversely affect the value of investments, the District shall use final and weighted-average-maturity limits and diversification. The District shall monitor interest rate risk using weighted average maturity and specific identification.</td>
</tr>
<tr>
<td><strong>INTERNAL CONTROLS</strong></td>
<td>A system of internal controls shall be established and documented in writing and must include specific procedures designating who has authority to withdraw funds. Also, they shall be designed to protect against losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the District. Controls deemed most important shall include:</td>
</tr>
</tbody>
</table>
1. Separation of transaction authority from accounting and recordkeeping and electronic transfer of funds.
2. Avoidance of collusion.
3. Custodial safekeeping.
5. Written confirmation of telephone transactions.
6. Documentation of dealer questionnaires, quotations and bids, evaluations, transactions, and rationale.
7. Avoidance of bearer-form securities.

These controls shall be reviewed by the District’s independent auditing firm.

**ANNUAL REVIEW**
The Board shall review this investment policy and investment strategies not less than annually and shall document its review in writing, which shall include whether any changes were made to either the investment policy or investment strategies.

**ANNUAL AUDIT**
In conjunction with the annual financial audit, the District shall perform a compliance audit of management controls on investments and adherence to the District’s established investment policies.