

INVITATION TO BID

Banking Depository and Investment Services



BID NO. 876

**City of Berkeley
8425 Airport Road
Berkeley, Missouri 63134
314-400-3720**

Bids shall be submitted in a sealed envelope clearly marked
“BID NO. 876: Banking Depository and Investment Services” on the outside.

Bid Opening Date December 20, 2018 at 10:00AM

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INVITATION TO BID

The City of Berkeley, Missouri will accept sealed bids until December 20, 2018 at 10:00 A.M., local time, In the City Clerk's Office, City Hall, 8425 Airport Road, Berkeley, Missouri, Banking Depository and Investment Services.

Bids will then be publicly opened and read aloud in the City Council Chambers at City Hall, 8425 Airport Road, Berkeley, MO 63134

Specifications and Bid Forms may be obtained in the office of City Clerk.

Bids shall be submitted on the City Bid Form in a sealed envelope, clearly marked on the outside as "BANKING DEPOSITORY AND INVESTMENT SERVICES"

Bid security, shall be in an amount equal to at least ten percent (10%) of the amount of bid or an amount specified in the solicitation.

Bidder shall be an Equal Employment Opportunity Employer and must have Affirmative Action Statement. These completed forms must be submitted to the Finance Office at City Hall under separate cover from bid no later than December 20, 2018 at 10:00 AM.

The City reserves the right to accept or reject any or all bids and or combination, thereof, and to waive any minor irregularities.

The City of Berkeley is an Equal Opportunity Employer

**CITY OF BERKELEY
8425 Airport Road
Berkeley, MO. 63134**

**NOTICE TO BID
BID NO. 876**

Notice is hereby given that the City of Berkeley, Missouri, will accept sealed bids for “BANKING DEPOSITORY AND INVESTMENT SERVICES,” according to the specifications and bid package requirements. Copies of the bid forms may be obtained from the City Clerk’s Office in the Berkeley City Hall, 8425 Airport Rd, Berkeley, Missouri, 63134. Bid security, shall be in an amount equal to at least ten percent (10%) of the amount of bid or an amount specified in the solicitation.

Sealed bids will be received at the City Clerk’s Office in the Berkeley City Hall, 8425 Airport Rd, Berkeley, Missouri, 63134 until **December 20, 2018**, at 10:00 A.M. which time the bids will be publicly opened and read aloud. Bids must be in sealed envelopes and clearly marked:

BID NO. 876 “BANKING DEPOSITORY AND INVESTMENT SERVICES”

The City of Berkeley reserves the right to reject any and all bids, waive informalities in the process and accept the bid deemed to be in the best interest of the City of Berkeley.

For questions regarding the services requested contact Keidra King, Finance Director 8425 Airport Road, Berkeley, Missouri, 63134; via email at king@ci.berkeley.mo.us

Keidra L. King, Finance Director
Email: king@ci.berkeley.mo.us

BID PROCESS SCHEDULE

Important Dates

1. Deadline for submittal of request for clarification, modifications or questions regarding the Bid. Friday, December 16, 2018 at 10:00 A.M.
2. Addendums will be posted on the City of Berkeley Website: Tuesday, December 13, 2018 at 10:00 A.M- <http://cityofberkeley.mo.us>
3. Submittal Deadline for Bid: Tuesday, December 20, 2018, 10:00 A.M.
4. Bid Opening: Tuesday, December 20, 2018, 10:00 A.M.

COMPANY INFORMATION
"BANKING DEPOSITORY AND INVESTMENT SERVICES"

CITY OF BERKELEY, MISSOURI

Please print legibly, except where signature is required.

Company Name: _____

Company Address: _____

Phone Number: _____

Fax Number: _____

E-mail Address: _____

Website: _____

Authorized Officer: _____

Signature: _____

Title: _____

GENERAL REQUIREMENTS

This document is a formal Request for Proposal (RFP) for Banking Depository Services and Investment Services for the **City of Berkeley, Missouri** (hereinafter "CITY"). The minimum length of the depository agreement shall be for three (3) year, with an option exercisable by the City to renew at the same terms for up to four (4) additional years. The effective date of the service would begin **the date the pooled general fund account is opened** and may be renewed for the period through anniversary date based upon satisfactory annual review.

The purpose of this Request for Proposal (RFP) is to establish the requirements for the requested services, and to solicit Proposals from qualified financial institutions (hereafter "Bank") for providing such banking depository services. In addition, this proposal includes additional optional services that may be taken in whole or part with the banking depository services. This RFP requests contains significant amount of detail to avoid delays, misunderstandings, and to simplify the evaluation of the proposals. The Bank is requested to respond to each specification. A listing if the city's investment policy is included to address the need for ICS investment accounts.

1. City:

The City of Berkeley was incorporated in 1937. It is located in Saint Louis County near Lambert-Saint Louis International Airport. Berkeley is a planned progressive community moving forward into the future.

2. Objectives:

- 2.1. Provide maximized earnings on funds while maintaining a high level of service with limited City resources.
- 2.2. Provide account reconciliations for all accounts with large volume. This includes a listing of checks cleared and outstanding. The preferred option to receive cancelled checks is electronically.
- 2.3. Provide data submission to the Bank in an electronic file transfer format.
- 2.4. Provide positive pay automated fraud protection.
- 2.5. Provide remote deposit capture technology for deposit of all paper checks.
- 2.6. Provide preprinted deposit tickets; some in duplicate and some in triplicate.
- 2.7. Provide verification of daily deposits.
- 2.8. Provide wire transfer of funds to and from various Banks located in the United States.
- 2.9. Provide prompt handling of all on-line stop payment orders.

- 2.10. Provide online access view all accounts
- 2.11. Provide online access to transfer between account
- 2.12. Provide all currency and coin wrappers and currency bags to meet City needs.
- 2.13. Provide ACH ability for direct deposits from third parties, with same day credit to the depository account.
- 2.14. Provide ACH ability for direct deposit of the City's payroll, transmitted to the Bank via third party or online access.
- 2.15. Provide ACH block and filter services.
- 2.16. Serve the City as an outlet for its investments in total or in part.
- 2.17. Provide complete securities safekeeping.
- 2.18. Provide an implementation timeline that ensures no disruption to business services.
- 2.19. Provide a pledge collateral statement or Letter of Credit

3. Evaluation

- 3.1. Proposals must be concise and in outline format. Pertinent supplemental information should be referenced and included as attachments. All Proposals must be organized to allow for easy reference.
- 3.2. Elaborate and expensive copy is not required. Neat, legible and clearly stated information is adequate and will be used in the evaluation process. Brochures may be included on an optional basis, but may not be substituted for the information requested herein.
- 3.3. The Proposal shall include a **Letter of Transmittal** that provides an introduction to the Bank and includes an expression of the Bank's ability and desire to meet the requirements of the RFP. The Letter of Transmittal must be signed by an authorized individual able to bind the Bank to all items in the Proposal including products, services, prices, etc. contained in the Proposal.
- 3.4. The Proposal shall include an **Executive Summary** that briefly describes the Bank's approach to meeting the City's requirements as outlined in the RFP, indicate any major requirements that cannot be met, and highlight the major features of the Proposal. The reader should be able to determine generally how well the Proposal meets the City's requirements by reading the Executive Summary.
- 3.5. Fee Proposal

The Bank must include the following elements in its fee proposal:

- a. A separate and specific fee structure for each of the three options:

- (banking depository services, investment services, short-term borrowings) including supplies, training, and implementation.
- b. Fees/formulas/services that are provided should be a firm fixed rate and not subject to change throughout the term of the negotiated contract.
 - c. Each Proposal shall be submitted on the most favorable terms, from a cost and technical standpoint, which the Bank can submit to the City. The Bank may submit an alternate proposal on a group of line items on an “all or nothing” basis.
 - d. The Bank should address any out-of-pocket expenses the City may incur for any additional software or hardware requirements not included by the Bank in its Proposal.
- 3.6. The Bank shall complete Attachment 2, “Profile of the Bank” which includes potential conflict of interest statement. The Bank shall include a listing of all City’s for which the Bank currently provides services. The references should include at least one contract with banking depository services currently in force with a city similar in size and population to the City. The Bank shall additionally provide the City a listing of all public-school clients that have discontinued service from the Bank in the past five years due to poor performance or non-performance.
- 3.7. Proposals will be evaluated by the City’s designated staff. The following will serve as the basic criteria for the selection of the Bank eventually chosen.
- 3.7.1. Creditworthiness
 - 3.7.2. Funds deposited and collateralized in accordance with all federal, state and local laws (in accordance with the further limitations in this request as they relate to collateralization requirements).
 - 3.7.3. Cost and flexibility of services.
 - 3.7.4. Interest rate and/or earnings credit rate paid on all time deposit accounts.
 - 3.7.5. Ability to provide services efficiently and effectively through automation.
 - 3.7.6. Options for investment of funds.
 - 3.7.7. References from and experiences of other governmental clients with the Bank.
 - 3.7.8. Overall best value for the City as determined by the City.
 - 3.7.9. Bank proximity to the City’s Administrative Center.

1) CITY FINANCIAL INFORMATION

- a) For the 2018-19 fiscal year, the City's general fund operating expenditure budget is approximately **\$10,081,571** and the operating revenue budget is **\$9,034,677**.
- b) The City requires direct deposit for employee payroll which is processed by a third party. Live payroll checks are sometimes issued to employees when payroll corrections are needed. Direct deposits are issued every other Thursday payroll for approximately **115** of employees.
- c) Accounts payable checks are issued weekly. These amounts vary each week depending on the activities taking place during that time period but average around **45** each week. They could reach up to **\$315,000** for any given week.
- d) The City currently maintains the following accounts: (1) **Two ICS Investment Accounts** (2) **Five Interest Bearing Checking Accounts** (3) **Two non-interest bearing checking accounts**
- e) Current financial records are available for examination by interested Banks.
- f) Attachment A provides the average number of transactions per month for various categories of banking services for fiscal year:

2) COLLECTION SERVICES

- a) ACH Deposits – The City receives the majority of its funding from the State and County via ACH. All deposits received via ACH should require no prior notification of the bank and should be available for withdrawal immediately.
- b) Over the Counter Deposits – The City provides various services for which cash, credit cards and/or checks are received for payment. A staff member prepares and deposits these funds daily, or as needed.

3) DISBURSEMENT SERVICES

- a) Wire Transfers Out – Wire transfers are initiated by the City to transfer funds from City bank accounts to other financial institutions for investment and debt service purposes.
- b) ACH Debits – The City payroll service makes payment to employees for reimbursements as well as payment of federal and state withholding taxes with ACH debits from the general account. In addition other outside organizations will debit funds on a regular basis. The City requires the ability to block certain ACH debits.
- c) Payroll Services – The City pays its employees on a bi-weekly basis. The City's payroll is prepared by an outside vendor. Attachment B provides a schedule of payroll

disbursements for the current fiscal year.

- d) Direct Deposit – The City requires direct deposit of payroll for employees. Direct deposit payroll information is submitted to the Bank for processing two (2) business days prior to the transfer date. The City requires the following for direct deposit:
- No funds may be withdrawn from the account prior to the effective date.
 - The City can produce standard ACH files. As such, we will not utilize any bank provided software for any part of the payroll process.

4) *REQUIRED BANKING SERVICES*

- a) Maintain proper records with cut off at the end of each month for the separate accounts listed below:
- General Fund Account
 - City of Berkeley MO Public Safety
 - City of Berkeley MO Road & Bridge
 - Local Law Enforcement Block Grant
 - Municipal Court Bond Account
 - Municipal Court Revenue Account
 - Investment – Economic Development
 - Investment – Finance Department
- b) Adhere to all state and federal laws applicable to Municipal Government, including the furnishing of securities. Funds deposited must be fully secured as required by law. Each proposal should include the type of security to be used as collateral for the account(s) and name the trustee for securities pledged.
- c) Provide the option of overnight investment of account balances at a fixed or variable rate.
- d) Provide short-term loans against anticipated tax revenues to the City to meet operating cash flow requirements, if necessary. The Bank should provide a description of the process used to initiate tax anticipation notes.
- e) Provide on-line banking services with the ability to perform:
1. Prior Day Balance Report (45-day availability)
 2. Intra Day Balance Report (45-day availability)
 3. Demand Deposit Statements
 4. Stop Pay Issues
 5. Stop Pay Query
 6. Stop Pay Analysis Statements

7. Check Imaging
 8. Remote deposit capture
 9. File Transfers
 - i. Payroll and Accounts Payable Issues File (including Positive Pay and check reconciliation)
 - ii. Payroll and Accounts Payable Paid Files to upload into City financial software (INSERT)
 - iii. Payroll Direct Deposit Submission and Verification
 - iv. Online Federal and State Tax Payments
 - v. ACH Reversals/Deletes for Payroll and Employee Reimbursements
 - vi. Upload ACH files and Summary Report
 10. CD with Monthly Cancelled Checks for all Accounts
 11. Wire Transfers and General ACH Initiation
 12. Account Reconciliation
 13. Reporting on Returned Deposits, Returned ACHs, Returned Wires and Notification of Charges (NOCs)
 14. Initiation of Book Transfer, Repetitive Fed Wire, and Non-repetitive Fed Wire
 15. Maintenance of Repetitive Book and Fed Wire Instructions
-
- f) Provide on a monthly basis files containing a detailed statement of activity listing each transaction and ending daily bank balance, as well as a listing of the cleared checks in numerical order. This listing should include the check number, check clearing amount, and the date the check was cleared. Also, this report must include a total of cleared checks for the month. Each deposit must appear on the bank statement in date deposited and amount order.
 - g) Initiate transfer of funds between all accounts upon verbal communication from the authorized City officials and notify the City of the transfer with a credit or debit memorandum.
 - h) Return insufficient funds checks deposited within the City's accounts to the City for collection only after a second deposit attempt is made.
 - i) Maintain acceptable collateralization of deposits (per §30.270 RSMo) at market value equal to at least 100% of the total amount on deposit with the depository, less any that is insured by the Federal Deposit Insurance Corporation.
 - j) Provide a report of securities pledged at the end of each month, or at other times as requested. This report should reflect the total pledged securities itemized by: Name,

Type/Description, Par Value, Market Value and Maturity Date.

- k) Provide monthly analysis of each account showing the volume counts, fees charged, and total price for servicing the account. The account analysis should show the average ledger balances, average uncollected funds and average collected balances. The City will require an account analysis even if the Bank was to bid the services at no charge. Please submit a sample of the monthly account analysis that will be provided to the City.
- l) Provide, as necessary, the following services and supplies to the City:
1. Depository bags, Disposable (Large) – at no charge
 2. Depository bags, Disposable (Regular) – at no charge
 3. Deposit slips, pre-printed, 2 and 3-part – at no charge
 4. Remote deposit scanner – at no charge
 5. Direct deposit and automatic debit
 6. Deposited items, local and non-local
 7. Acceptance of coin deposits in bulk
 8. Coin counting and bill wrapping
 9. Wire transfer in and out
 10. ACH in and out
 11. ACH originated payroll
 12. Notification of ACH returns
 13. Transmission of paid checks
 14. Balance reporting
 15. Internal transfers
 16. Account reconciliation and fine sorting
 17. Stop payment services
 18. Account maintenance services
 19. Return item notification
 20. Bank confirmations
 21. Re-cleared items
 22. Investment counseling
 23. Endorsement stamp(s) for each depositing location
 24. Cashing of Petty Cash replenishment checks for the City – at no charge.
 25. Provide overdraft protection on all accounts with courtesy telephone notification.

5) CASH MANAGEMENT SERVICES

- a) The City, by practice, is extremely conservative and adverse to risk. Therefore, the City is seeking a well-administered cash management system that can provide market rates of return without unnecessary exposure to risks.
- b) The cash management system should include the general operating account and payroll disbursement account. These multiple account balances should be treated as if they were one. The City will deposit taxes, wire transfers, redemptions of certificates of deposit, interest earnings, federal revenue and other revenue received into the general operating account.

6) OTHER

- a) The City's operating funds, as designated by the City, shall be included in the depository agreement. This agreement is not exclusive. The City reserves the right to deposit surplus funds through the Missouri Securities Investment Program (MOSIP) or other

depositories.

- b) It is understood that, in the event that the successful depository is not the present depository, the present depository will continue to serve as depository until the City has had sufficient time to make an orderly transfer of funds to the newly designated depository.

ATTACHMENT A

AVERAGE PER MONTHLY TRANACTIONS

ACH CREDITS	24
ACH DEBITS	13
CHECKS	184
MERCHANT	27
WIRES OUT	0
DEPOSITS	58
ONLINE PAYMENTS (FORTE')	4

ATTACHMENT B

FISCAL YEAR 2019 PAYROLL DATES

Payroll 1	07/05/2018
Payroll 2	07/19/2018
Payroll 3	08/02/2018
Payroll 4	08/16/2018
Payroll 5	08/30/2018
Payroll 6	09/13/2018
Payroll 7	09/27/2018
Payroll 8	10/11/2018
Payroll 9	10/25/2018
Payroll 10	11/08/2018
Payroll 11	11/21/2018
Payroll 12	12/06/2018
Payroll 13	12/20/2018
Payroll 14	01/03/2019
Payroll 15	01/17/2019
Payroll 16	01/31/2019
Payroll 17	02/14/2019
Payroll 18	02/28/2019
Payroll 19	03/14/2019
Payroll 20	03/28/2019
Payroll 21	04/11/2019
Payroll 22	04/25/2019
Payroll 23	05/09/2019
Payroll 24	05/23/2019
Payroll 25	06/06/2019
Payroll 26	06/20/2019

ATTACHMENT C

Investment Policies

I. Scope

This Policy applies to the investment of all operating funds of the City of Berkeley. Longer-term funds, including investments of employees' retirement funds and proceeds from certain bond issues, are covered by a separate policy.

1. Pooling of Funds

Except for cash in certain restricted and special funds, the City of Berkeley will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with Generally Accepted Accounting Principles (GAAP).

2. External Management of Funds

Investment through external programs, facilities and professionals operating in a manner consistent with this policy will constitute compliance.

II. General Objectives

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

1. 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. The objective will be to mitigate credit risk and interest rate risk.

a. Credit Risk

The City of Berkeley will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, or:

- ✓ Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City of Berkeley will do business.
- ✓ Diversifying the portfolio so that potential losses on individual securities will be minimized.

b. Interest Rate Risk

The City of Berkeley will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rate, by:

- ✓ 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.
- ✓ Investing operating funds primarily in shorter-term securities.

2. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in bank deposits or repurchase agreements that offer same-day liquidity for short-term funds.

3. 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. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

- ✓ A security with declining credit may be sold early to minimize loss of principal.
- ✓ A security swap would improve the quality, yield, or target duration in the portfolio.
- ✓ Liquidity needs of the portfolio require that the security be sold.

III. Standard of Care

1. Prudence

The standard of care 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 liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion to the governing body and the liquidity and the sale of the securities are carried out in accordance with the terms of this policy.

Investments shall be made with judgment and care, under circumstances then prevailing, which person of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

2. 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. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the City of Berkeley.

3. Delegation of Authority

Authority to manage the investment program is granted to designated [designated official or external professional, hereinafter referred to as investment officer] and derived from the following [insert code citation, ordinances, charters, statutes or constitution]. Responsibility for the operation of the investment program is hereby delegated to the investment officer, who shall act in accordance with the established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officer. The investment officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

IV. Investment Transactions

1. Authorized Financial Dealers and Institutions

A list will be maintained of financial institutions authorized to provide investment transactions. In addition, a list also will be maintained of approved security broker/dealers selected by creditworthiness as determined by the investment officer and approved by the governing body. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- ✓ Audited financial statements.
- ✓ Proof of National Association of Securities Dealers (NASD) certification.
- ✓ Proof of state registration.
- ✓ Completed broker/dealer questionnaire.
- ✓ Certification of having read and understood and agreeing to comply with the City of Berkeley investment policy.

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the investment officer.

From time to time, the investment officer may choose to invest in instruments offered by emerging or minority firms and community financial institutions. In such situations, a waiver to the criteria under Paragraph I may be granted by the governing body. All terms and relationships will be fully disclosed prior to purchase and will be reported to the governing body of the City of Berkeley on a consistent basis. The governing body of the City of Berkeley should approve these types of investment purchases in advance.

2. Internal Controls

The investment officer is responsible for establishing and maintaining an internal control structure that will be reviewed annually with City of Berkeley independent auditor. The internal

control structure shall be designed to ensure that the assets of the City of Berkeley are protected from loss, theft, or misuse and to provide reasonable assurance that these objectives are met. Reasonable assurance recognizes that the cost benefit relationship must be evaluated requires and judgments by management.

The internal controls shall address the following points:

- ✓ Control of collusion.
- ✓ Separation of transaction authority from accounting and record keeping. Custodial safekeeping.
- ✓ Avoidance of physical delivery securities.
- ✓ Clear delegation of authority to subordinate staff members.
- ✓ Confirmation of transactions for investments and wire transfers.
- ✓ Development of a wire transfer agreement with the lead bank and third party custodian.

3. Delivery vs. Payment

All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in eligible financial institutions prior to the release of funds. All securities shall be perfected in the name or for the account of the City of Berkeley and shall be held by a third-party custodian as evidenced by safekeeping receipts.

V. Suitable and Authorized Investments

1. Investment Types

In accordance with and subject to restrictions imposed by current statutes, the following list represents the entire range of investments that City of Berkeley will consider and which shall be authorized for the investments of funds by the City of Berkeley.

- a. United States Treasury Securities. The City of Berkeley may invest in obligations of the United States government for which the full faith and credit of the United States are pledged for the payment of principal and interest.
- b. United States Agency Securities. The City of Berkeley obligations issued or guaranteed by any agency of the United States Government as described in V.(2).
- c. Repurchase Agreements. The City of Berkeley may invest in contractual agreements between the City of Berkeley and commercial banks or primary government securities dealers. The purchaser in a repurchase agreement (repo) enters into a contractual agreement to purchase U.S. Treasury and government agency securities while simultaneously agreeing to resell the securities at predetermined dates and prices.
- d. Collateralized Public Deposits (Certificates of Deposit). Instruments issued by financial institutions which state that specified sums have been deposited for specified periods of time and at specified rates of interest. The certificates of deposit are required to be backed by acceptable collateral securities as dictated by State statute.
- e. Bankers' Acceptances. Time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances. The City of Berkeley may invest in bankers' acceptances

issued by domestic commercial banks possessing the highest rating issued by Moody's Investor Services, Inc. or Standard & Poor's Corporation.

- f. Commercial Paper. The City of Berkeley may invest in commercial paper issued by domestic corporations, which has received the highest rating issued by Moody's Investor Services, Inc. or Standard & Poor's Corporation. Eligible paper is further limited to issuing corporations that have total assets in excess of five hundred million dollars (\$500,000,000).

2. Security Selection:

The following list represents the entire range of United States Agency Securities that the City of Berkeley will consider and which shall be authorized for the investment of funds by the City of Berkeley. Additionally, the following definitions and guidelines should be used in the purchasing the instruments:

- a. U.S. Govt. Agency Coupon and Zero Coupon Securities. Bullet coupon bonds with no embedded options.
- b. U.S. Govt. Agency Discount Notes. Purchased at a discount with maximum maturities of one (1) year.
- c. U.S. Govt. Agency Callable Securities. Restricted to securities callable at par only with final maturities of three (3) years [five (5)] years.
- d. U.S. Govt. Agency Step-Up Securities. The coupon rate is fixed for an initial term. At coupon date, the coupon rate rises to a new, higher fixed term.
- e. U.S. Govt. Agency Floating Rate Securities. The coupon rate floats off one index. Restricted to coupons with no interim caps that reset at least quarterly.
- f. U.S. Govt. Mortgage Backed Securities. Restricted to securities with final maturities of three (3) years [five (5)] years.

3. Investment Restrictions and Prohibited Transactions

To provide for the safety and liquidity of the City of Berkeley funds, the investment portfolio will be subjected to the following restrictions:

- a. Borrowing for investment purposes ("Leverage") is prohibited.
- b. Instruments known as Structured Notes (e.g. inverse floaters, leveraged floaters, and equity-linked securities) are not permitted. Investment in any instrument, which is commonly considered a "derivative" instrument (e.g. options, futures, swaps, caps, floors, and collars) is prohibited.
- c. Contracting to sell securities not yet acquired in order to purchase other securities for purposes of speculating on developments or trends in the market is prohibited.

- d. No more than 5% of the total market value of the portfolio may be invested in bankers' acceptances issued by any one commercial bank, and no more than 5% of the total market value of the portfolio may be invested in commercial paper of any one issuer.

4. Collateralization

Collateralization will be required on two types of investments: certificates of deposit and repurchase agreements. The market value (including accrued interest) of the collateral should be at least 100%.

For certificates of deposit, the market value of collateral must be at least 100% or greater of the amount of certificates of deposits plus demand deposits with depository, less the amount, if any, which is insured by the Federal Deposit Insurance Corporation, or the National Credit Unions Share Insurance Fund.

All securities which serve as collateral against the deposits of a depository institution, must be safe kept at a non-affiliated custodial facility. Depository institutions pledging collateral against deposits must, in conjunction with the custodial agent, furnish the necessary custodial receipts within five business days from the settlement date.

The City of Berkeley shall have a *depository Contract and pledge agreement* with each safekeeping bank that will comply with the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989 (FIRREA). This will ensure that the City of Berkeley security interest in collateral pledged to secure deposits is enforceable against the receiver of a failed financial institution.

5. Repurchase Agreements

The securities for which repurchase agreements will be transacted will be limited to U.S. Treasury and government agency securities that are eligible to be delivered via the Federal Reserve's Fedwire book entry system. Securities will be delivered to the City of Berkeley designated Custodial Agent. Funds and securities will be transferred on a delivery vs. payment basis.

IV. Investment Parameters

The investments shall be diversified to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards by security type and issuer shall be:

- a. U.S. treasuries and securities having principal and/or interest guaranteed by the U.S. Government.....100%
- b. Collateralized time and demand deposits100%
- c. U.S. Government agencies, and government sponsored enterprise.....no more than 60%
- d. Collateralized repurchase agreements.....50%

- e. U.S. Government agency callable Securities.....no more than 30%
- f. Commercial Paper.....no more than 30%
- g. Bankers' Acceptances.....no more than 30%

2. Maximum Maturities

To the extent possible, the City of Berkeley shall attempt to match its investments with anticipated cash flow requirements. Investments in bankers' acceptances and commercial paper shall mature and become payable not more than one hundred eighty (180) days from the date of purchase. All other investments shall mature and become payable not more than three (3) years [five (5)] years from the date of purchase. The City of Berkeley shall adopt weighted average maturity limitations that should not exceed two (2) years [three (3)] years and is consistent with the investment objectives.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as in bank deposits or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

VII. Reporting

1. Methods

The investment officer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner that will allow the [entity] to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the governing body of the [entity]. The report will include the following:

- ✓ Listing of individual securities held at the end of the reporting period.
- ✓ Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration [in accordance with Government Accounting Standards Board (GASB) 31 requirements]. (Note, this only required annually).
- ✓ Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
- ✓ Percentage of the total portfolio which each type of investment represents.

2. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks may be established against which portfolio performance shall be compared on a regular basis.

Commercial paper and banker' acceptance must be reviewed monthly to determine if the rating level has changed. The commercial paper and bankers' acceptances should be reviewed for possible sale if the securities are downgraded below minimum acceptance rating levels.

3. Market to Market

The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least annually to the governing body of the City of Berkeley. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed.

VIII. Policy Considerations

1. Exemption

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

2. Adoption

This policy shall be adopted by resolution of the [entity's] governing body. The policy shall be reviewed annually by the investment officer and recommended changes will be presented to the governing body for consideration.

Securities Accepted as Collateral To Secure City of Berkeley Deposits

The securities described below are hereby designated as acceptable collateral for City of Berkeley funds on deposit, as required by Section 30.270 RSMo (as amended). City of Berkeley reserves the right to refuse to accept as collateral any security or securities on this list, or to request the submission of an alternate acceptable security or securities, if the City of Berkeley determines that such action will provide greater security for the deposit of City of Berkeley funds.

The securities described below are designated as acceptable collateral for the deposit of City of Berkeley funds. The listing is not intended to serve as, and should not be considered as a listing of legally authorized investment instruments.

1. Marketable Treasury securities of the United States.
2. The following debt securities of the State of Missouri and its state authorities:
 - a. General obligation debt securities issued by the State of Missouri.
 - b. Revenue bonds issued by the Missouri Board of Public Buildings or Department of Natural Resources.
 - c. Revenue bonds of the Missouri Housing Development Commission, Missouri Health and Education Facilities Authority, Missouri Higher Education Loan Authority, Missouri Environmental Improvement and Energy Resources Authority, Missouri Agricultural and Small Business Development Authority, Missouri Industrial Development Board, or state-owned educational institutions, so long as any of the above are rated "A" or better by Moody's or Standard & Poors (MI on notes), or are secured by a federal agency guarantee (directly or through guaranteed loans).
3. General obligation bonds or any city in this state having a population of not less than two thousand.
4. General obligation bonds of any county of this state.
5. General obligation bonds, approved and registered, of any school district situated in this state.
6. General obligation bonds, approved and registered, of any special road district in this state.
7. General obligation state bonds of any of the 50 states.
8. Debt securities of the Federal Farm Credit System.
9. Debt securities of the Federal Home Loan Banks (FHLB) - excluding Zeros.
10. Other debt securities guaranteed by the United States of its agencies or instrumentality's , as follows:
 - a. Debt securities of the Federal National Mortgage Association (FNMA).
 - b. Debt securities of the Student Loan Marketing Association (SLMA).

- c. Debt securities of the Government National Mortgage Association (GNMA).
- d. Debt securities of the Federal Home Loan Mortgage Corporation (FHLMC) - excluding FHLMC Mortgage Cash Flow Obligations.
- e. Guaranteed Loan Pool Certificates of the Small Business Administration (SBA).
- f. Federal Home Administration insured notes (CBOs).
- g. Public housing notes and bonds ("project notes and bonds") issued by public housing agencies, guaranteed as to the payment of principal and interest by the government of the United States or any agency or instrumentality thereof.
- h. Debt securities of the Resolution Funding Corporation (REFCORP).

All pledges of pass-through mortgage-backed securities will be valued at 90% of market value. SBA pool certificates and collateralized mortgage obligations will be valued at 75% of market value. The only Collateralized Mortgage Obligation (CMO) the City of Berkeley will accept are Planned Amortization Class (PAC) Collateralized Mortgage Obligations that have a weighted average life not to exceed three years and pass the FFIEC High Risk Stress Test. No Strips or Zeros are acceptable.

- 11. Bonds of any political subdivision established under the provisions of Section 30, Article VI, of the Constitution of Missouri.
- 12. Tax anticipation notes issued by any county of class one in Missouri.
- 13. Surety bonds issued by un-insurance company licensed under the laws of the State of Missouri whose claims-paying ability is rated in the highest category by Duff & Phelps, A.M. Best, Standard & Poors, or Moody's. The face amount of such surety bond shall be at least equal to the portion of the deposit to be secured by the surety bond.
- 14. An irrevocable standby letter or credit issued by a Federal Home Bank possessing the highest rating issued by at least one nationally recognized statistical rating agency.