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Office of the  
**Inspector General**  
Commonwealth of Massachusetts

**Gregory W. Sullivan**  
Inspector General

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**Banking Services  
Procurement Guide for  
Local Government  
Treasurers**

December 2004

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The Commonwealth of Massachusetts  
Office of the Inspector General

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Dear Public Official:

The Office of the Inspector General prepared this guide to help local officials understand the procurement rules for obtaining banking services. We are charged with preventing and detecting fraud, waste, and abuse in state, county, and local government. When possible, we emphasize prevention.

Procurement rules are spelled out in Massachusetts General Law Chapter 30B, the Uniform Procurement Act. This law is designed to promote competition and integrity in state and local contracting and purchasing.

All 351 municipalities contract with banking institutions for banking services. Through our Chapter 30B advisory and training programs, and a survey issued in November 2003, we have identified a need for assistance regarding the procurement rules for banking services. This guide seeks to:

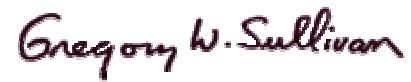
- Provide a brief overview of Chapter 30B, with specific focus on the procurement of banking services under this section of the law;
- Provide recommendations for banking service procurement; and
- Identify resources for local officials looking to procure banking services.

We acknowledge and appreciate the following agencies for their review and comments: the Commonwealth's Department of Revenue, Division of Local Services; the Massachusetts Collectors' and Treasurers' Association; and the State Treasurer's Office. Additionally, we acknowledge and appreciate the Chief Procurement Officer, City of Somerville for providing us with information related to that City's recent banking services procurement.

I hope that this guide will assist local officials to better understand this area of local procurement practice.

Please do not hesitate to contact my staff with any questions you may have. As always, I welcome your suggestions.

Sincerely,

A handwritten signature in black ink that reads "Gregory W. Sullivan". The signature is written in a cursive, slightly slanted style.

Gregory W. Sullivan  
Inspector General

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# **SECTION ONE**

## **Introduction to the Banking Services Procurement Guide**

In November of 2003 this Office sent a survey to the treasurers of all 351 Massachusetts municipalities requesting municipal banking services procurement information. All municipalities responded in some form to this survey. We intended the survey to:

- Provide municipal treasurers an opportunity to review their banking relationships, and
- Help this Office determine whether education and training needs existed for banking service procurement.

The results of this survey led us to prepare this guide to assist municipal treasurers with banking services procurement issues.

Municipalities have periodically raised questions concerning the procurement and management of banking services through our 30B telephone call line. In 1985 this Office issued a report on banking service relationships citing poor bank account management practices by municipal treasurers. The Office has maintained an interest in overseeing this area.

The Commonwealth's cities and towns obtain a wide range of services from banking institutions including:

- Collection services such as lock box systems and overnight depository services;
- Depository account services including account consolidation services, account information services, and account reconciliation services;
- Disbursement services, which pay municipal creditors from depository accounts;
- Credit services including short-term and long-term credit services; and
- Investment services such as certificates of deposit, repurchase agreements, money market accounts, and passbook savings accounts.

In recent years the services available to municipalities have expanded to include a number of alternative banking services, for example investment accounts with check-writing capabilities.

Banking services procurement is governed by one of two laws: either M.G.L. Chapter 30B, also known as the Uniform Procurement Act, or M.G.L. Chapter 44 §53F, the compensating balance law.

**M.G.L. c. 30B**

- *Establishes uniform procedures for local jurisdictions to use when contracting for supplies, equipment, services, and real property.*
- *Provides three different procurement methods, depending upon the dollar value of the contract.*

**M.G.L. c. 44 §53F**

- *Authorizes local jurisdictions to enter into a compensating balance agreement for a period up to three years.*
- *Compensating balance agreements must be approved annually by town meeting or the city council.*

## Comparison of Two Laws

	M.G.L. Chapter 30B  (direct payment for services)	M.G.L. Chapter 44, Section 53F  (Compensating balance agreements procured pursuant to DOR regulations)
<b>Dollar amount of contract</b>	\$5,000 - less than \$25,000	\$500 - less than \$5,000 +
<b>Published advertisements</b>	no	yes
<b>Bid procedures</b>	quotes	IFB or RFP
<b>Appropriation</b>	yes	yes
<b>Length of contract</b>	any length; majority vote approval necessary if longer than three years (1)	no more than three years
<b>Contract in writing</b>	>= \$5,000	yes
		direct solicitations
		recommended oral/written quotes
		RFP
		no, approval to enter into contract necessary
		yes, DOR Commissioner must approve form of contract

(1) The majority vote required to approve multi-year contracts must be taken by: 1. for towns or districts, a duly called town or district meeting; 2. for cities, the city council or the city commissioners, with the approval of the mayor if such approval is required under the city charter; 3. for counties, the county commission; 4. for regional school districts, an affirmative vote by two-thirds of the the members of the school committee; and, 5. for a redevelopment, housing, or other authority, the governing body.



This guide will:

- 1) Provide a brief overview of M.G.L. Chapter 30B. This Office is responsible for the interpretation of M.G.L. Chapter 30B; therefore this guide will focus on the procurement of banking services under this section of the general laws. For further guidance on the procurement of compensating balance agreements please consult with the Department of Revenue, Division of Local Services, Bureau of Accounts. That division of DOR is responsible for the interpretation and enforcement of the compensating balance law.<sup>1</sup>
- 2) Highlight and provide recommendations for issues raised by the results of the banking services procurement survey.
- 3) Provide a list of resources for local treasurers to assist them with banking services procurements.

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<sup>1</sup> For more information, contact Gerry Cole, Division of Local Services, at (617) 626-4110.

## **SECTION TWO**

### **Banking Services and M.G.L. Chapter 30B**

The following is an overview of M.G.L. Chapter 30B (Chapter 30B). If you would like further information regarding Chapter 30B, a number of Chapter 30B publications are available on our website. In addition, we provide procurement training through the Massachusetts Certified Public Purchasing Official Program (MCPPO).

In the mid 1980's this Office, working collaboratively with The Massachusetts Association of Public Purchasing Officials, the Massachusetts Association of School Business Officials, and the Massachusetts City Solicitors and Town Counsel Association, wrote a procurement bill. This group adapted the American Bar Association's Model Procurement Code to reflect the practical experience and expertise of local officials in Massachusetts. The legislature enacted Chapter 30B in 1990. Chapter 30B governs how local jurisdictions buy and sell supplies, services, and real property. Chapter 30B is intended to ensure fair and open competition for public contracts, promote honesty and accountability in government, and protect the taxpayers' interest in securing contracts with qualified vendors for quality goods or services at the best price the competitive market will bear.

Chapter 30B procurement procedures apply to cities, towns, counties, districts, and other local authorities and public entities, when acquiring supplies, services, or real property. Chapter 30B also applies when a public jurisdiction is disposing of real property or surplus supplies. When obtaining banking services through the direct payment of fees and/or to obtain higher interest rates, a municipality must use Chapter 30B procedures Advice:

- If you pay a fee of any amount for a banking service, Chapter 30B applies.
- Chapter 30B should be used to procure both fiscal advising and/or consulting services and financial/investment advising and/or consulting services.

Chapter 30B has certain exemptions. That is, certain types of contracts may be procured without using a Chapter 30B process. The following Chapter 30B exemptions have the most relevance to municipal treasurers:

- Contracts for compensating balance accounts.
- The issuance of bonds, notes, or securities. Keep in mind that the hiring of a fiscal advisor and/or consultant is subject to Chapter 30B. For purposes of this guide a fiscal advisor and/or consultant is any person or firm hired to provide any services that precede the issuance of bonds. Municipalities may retain a fiscal advisor and/or consultant in order to consider the appropriate type, size, and terms of an issuance, to determine the budgetary implications of an issuance, or to review alternative methods of financing. Note: this Office has opined that fiscal services preceding the issuance of bonds, notes, or securities are subject to Chapter 30B.
- Contracts for insurance or surety bonds. However, under certain circumstances insurance claims administration services are subject to Chapter 30B.
- Contracts with labor relations representatives, lawyers, and Certified Public Accountants (CPA).<sup>2</sup>
- Contracts for retirement board services.
- Contracts for the collection of delinquent taxes or for the service of a deputy tax collector.
- Contracts for deferred compensation plans. See M.G.L. c. 35 and c. 44.

Even though these items are exempt, this Office strongly encourages treasurers to competitively procure these services under Chapter 30B. Exposing these contracts to a competitive process helps to ensure that municipalities receive fair value and benefits from banking institutions for use of the municipality's assets. Also, note that some of these exempted services may be subject to other laws. You should consult your local legal counsel when you seek to contract for an exempt service.

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<sup>2</sup> For more information about the procurement of CPA/Audit services please see our publication: *A Local Official's Guide to Procuring and Administering Audit Services*. This guide is available on our website: [www.mass.gov/ig](http://www.mass.gov/ig).

For services that are not exempt from Chapter 30B, including banking services, you must prepare for administering a competitive process by first estimating the contract dollar value. Chapter 30B has three different dollar thresholds that govern which procurement process to use. The following information outlines the procurement process associated with each threshold. These price categories are best suited for procuring goods. For procuring services you may wish to use the Invitation for Bid (IFB) or a Request for Proposal (RFP) process regardless of price.

**Threshold: less than \$5,000 – Sound Business Practices**

If the contract has a total value of less than \$5,000, treasurers are required to use “sound business practices.” This includes ensuring that a reasonable price is obtained for a reasonable level of service. We recommend that, at a minimum, you periodically solicit price lists or quotations to ensure you are getting favorable prices. Depending on the service or supply, you should re-procure these contracts every one to three years.

**Threshold: \$5,000 or more, but less than \$25,000 – Price Quotes**

If the contract is valued at \$5,000 or more, but less than \$25,000, treasurers are required to write a purchase description and solicit documented oral or written quotes from at least three vendors. Each vendor must receive the same purchase description, thus ensuring that each vendor is treated equally and fairly. The municipality then awards the contract to the responsive<sup>3</sup> and responsible<sup>4</sup> vendor offering the best price for the supply or service described. If three or more quotes are sought, but only one response is received, the Chapter 30B requirement has been satisfied. The law requires that you *solicit* at least three quotes. If a treasurer does not actually receive three quotes, they have still complied with the law. The price summary form on page xxv of Appendix B can be used as an example of a quote form.

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<sup>3</sup> *Responsive* is defined as whether the bidder agrees to provide the supply or service you specified and whether the bid contains all required documents and forms properly completed.

<sup>4</sup> *Responsible* is defined as whether the bidder has the capability, integrity, and reliability to perform under the contract.

### **Threshold: \$25,000 or more – IFB/RFP Process**

If the contract is valued at \$25,000 or more, treasurers are required to conduct a formal advertised competition by either issuing an IFB or an RFP. The procurement procedures for both the IFB and the RFP are similar, however, there are several differences. The RFP process is more complicated and time consuming, but allows for the most flexibility in selecting a proposal based on factors other than price. It is appropriate to consider using an RFP for specialized services, like advisory services, when there are factors, such as an advisor's relevant experience, that you might be willing to pay more money for. In most other instances, an IFB is the appropriate procurement process. In an IFB competition, a contract is awarded to the qualified bidder who meets your specifications and offers you the lowest price. In an RFP process, a contract is awarded to the proposer submitting the most advantageous proposal as determined from an evaluation of criteria, as well as price. Note that before your jurisdiction issues an RFP, it must have a designated Chief Procurement Officer.<sup>5</sup> Appendix B provides an example of an RFP for banking services.

### **Record-Keeping Requirements**

Chapter 30B requires that all records related to the bidding process be retained for a period of at least six years following the final contract payment. This includes all information related to the bidding process as well as the written contract for any contract with associated fees greater than \$5,000.<sup>6</sup> Additionally, the Secretary of State maintains that contract files (all documentation of award and performance of contract) be retained for at least "seven years following fulfillment of terms of the contract except contracts

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<sup>5</sup> For more information and required forms for designating a CPO see *Procurement Manual: Municipal, County, District, and Local Authority Procurement of Supplies, Services and Real Property*, 4th Edition, (October 2000). Available at <http://www.mass.gov/ig/>.

<sup>6</sup> A file of all written documents required by Chapter 30B must be maintained for a period of six years from the date of final payment under a contract. These documents include: 1) the invitation for bids, including any amendments; 2) the justification (if any) for use of proprietary specifications; 3) the public notice and advertisement; 4) the *Goods and Services Bulletin* notice if the contract is for \$100,000 or more; 5) the record of the bid opening; 6) all bids received, including the certified statement of each bidder that the bid was made in good faith; 7) any bid corrections, modifications, withdrawals, and notices of any bid corrections, modifications, or withdrawals; 8) any notices of bid rejections or cancellation; 9) the notice of award; and, 10) the executed contract.

under seal, then 21 years following fulfillment of the contract, provided all relevant audits have been satisfactorily completed.”<sup>7</sup> All records pertaining to the procurement of a municipal banking service, even with associated fees under \$5,000, should also be maintained for a similar length of time. Sound business practices (as well as a legal requirement) require that a municipality document the banking service procurement process and retain these documents. Not only are there record retention requirements imposed by Chapter 30B and the public record law, but these documents may also be subject to local requirements that pertain to record retention. Government Accounting Standards also require government entities to disclose information about their investment and banking policies. This type of disclosure cannot be done without adequate record keeping.

### **Bond Issuances**

It is the opinion of this Office that fiscal advising and/or consulting services are distinct from bond issuance. Municipalities may retain a fiscal advisor and/or consultant in order to consider the appropriate type, size, and terms of an issuance, to determine the budgetary implications of an issuance, or to review alternative methods of financing. The issuance of bonds, however, is exempt from Chapter 30B. The following services can safely be considered to be a part of a bond issuance: structuring of the maturity schedule; preparation of the official statement; verifying legal documents; the acquisition of a credit rating; the obtaining of approval from government agencies; the advertisement of the proposed sale; the distribution of the official statement to potential bidders; and the filing of initial and annual disclosure documents with federal and state regulatory agencies. In addition, the retaining of bond counsel is not subject to Chapter 30B. We recommend, however, that communities seek competitive bids for their bond services.

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<sup>7</sup> *Purchasing Records Disposal Schedule, 08-90, Municipal Government*, Secretary of the Commonwealth.

## **Financial/Investment Advising and/or Consulting Services**

Financial/investment advising and/or consulting services must also be procured under a Chapter 30B bidding process. We acknowledge that a municipality cannot always predict the need for investment vehicles or short-term deposits. Therefore, once a financial/investment advisor and/or consultant has been procured using the Chapter 30B bidding process, it is the opinion of this Office that the Chapter 30B requirements have already been satisfied and the procurement of any services offered by the financial/investment advisor and/or consultant do not require a separate bidding process. Note that in the case of services such as financial/investment advisors or consultants where evaluation by price is difficult if not impossible, a procurement based on qualifications may be best. Sound business practices and prudence should dictate the treasurer's use of the advice and services offered by the competitively procured financial/investment advisor and/or consultant.

For more information about the specific requirements of the Chapter 30B procurement process, please refer to our *Procurement Manual: Municipal, County, District, and Local Authority Procurement of Supplies, Services and Real Property*, 4th Edition, (October 2000) and *Practical Guide to Drafting Effective Invitations for Bids and Requests for Proposals for Supplies and Services*, (October 2000). Both are available on this Office's website (<http://www.mass.gov/ig>).

## **SECTION THREE**

### **Issues and Recommendations for the Procurement of Banking Services**

Based on the banking survey information we obtained from municipal treasurers it appears that most individual account fees are below \$5,000 and that most banking services have been procured using sound business practices. However, because many of the Commonwealth's municipal banking service relationships are informal in nature; banks and municipalities often establish accounts without written contracts. In many cases, a municipality's banking account is opened with a signature card as with personal private accounts. As a result, municipalities may pay the same fees as any ordinary bank customer even though the municipality is a much larger customer. A written contract or agreement between a municipality and a bank provides a level of protection not available through an informal banking relationship.

It is also clear that municipalities are not regularly reviewing or re-procuring their banking services. A number of treasurers indicated inheriting bank accounts from their predecessors. Many treasurers also indicated that they have had the same banking relationship in place over a long period of time (10 or more years). Both situations indicate that a regular review of the cost, quality, and performance of banking service agreements may not occur. While municipalities have remained loyal bank customers, it is questionable whether they have been receiving the best value in return. Based on our survey, it appears that municipalities assume they are, but do not know for sure.

The following is a discussion of the issues identified in the survey and our recommendations. These are meant to be guidelines for treasurers and do not take into account every contingency that may apply to municipal banking. This Office strongly encourages municipalities to review the agreements they have with banking institutions on a regular basis. The Department of Revenue/Massachusetts Collectors' and Treasurers' Association *Treasurer's Manual* states: "In this rapidly evolving marketplace, municipal financial officers should ever strive to be knowledgeable and well informed." We feel that the following recommendations may assist you in evaluating your banking service relationships.



### **Issue #1: Competition Secures Value.**

The majority of municipalities do not procure banking services through a competitive process. Obtaining competitive contracts for services allows municipalities to make best value procurements. For example, one city in the Boston-metro area recently reported issuing an RFP for banking services that resulted in a reduction in associated fees of nearly 50 percent or \$35,000 - - which could be used to fund the salary of one municipal employee. When State Treasurer Cahill recently re-procured banking services using a competitive process, the state saved \$1.5 million.<sup>8</sup> Without competition and due diligence by treasurers and purchasing officials there is no assurance that municipalities are getting the best value from their banking service agreements. A lack of competition, more than any other single factor, may promote and perpetuate waste and abuse in procurement.

### **Recommendation #1:**

To ensure that you are getting the best value in banking services this Office recommends that municipalities employ the Chapter 30B procurement process even when the fees associated with a given banking service fall below \$5,000. Having banks compete over your business allows you to test the waters of what is available and can help to ensure that you are getting the best value.

We understand that geography or the specific needs of your municipality may limit competition. However, we strongly believe that a competitive procurement is still the best process.

Depending upon your needs and the availability of competition, you may want to either bundle your services or have them bid separately. For example, you may choose to have one IFB/RFP Chapter 30B process for all or most of your banking needs. This may get you better responses or bids based on transaction volume and/or the total deposit value involved. Alternately, you may also consider procuring some or all of each type of account separately. For example, payroll service, lockbox, accounts

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<sup>8</sup> According to the Assistant Treasurer, Cash Management.

payable, and trust accounts could be bid individually. This may spur competition and allow you to do business with institutions of various sizes. Furthermore, this may allow you to compare and contrast services amongst a variety of vendors.

### **Free Accounts**

A number of municipal treasurers have asked whether Chapter 30B applies to “free” bank accounts, i.e., accounts that do not charge fees for service. While Chapter 30B does not apply, we recommend that you still use a Chapter 30B bidding process. Fostering competition through a Chapter 30B bidding process will not likely impact your ability to receive a free service from a banking institution. However, it may help you receive a better value from a free service. Free does not always mean best value. If your municipality uses a competitive process you may find that you are able to:

- Get a lower minimum where minimum balances are required;
- Get a free account with interest or one with a higher rate of return; or
- Get additional services for free- such as, checks, stop payment orders, or coin processing.

This Office strongly recommends that you seek competition whenever possible to ensure that you are getting the best deal.

### ***Issue #2: There is a lack of written contracts/agreements between municipalities and their banks.***

As discussed above, many of the Commonwealth’s municipal banking service relationships are informal in nature and banks and municipalities often establish accounts without written contracts. However, this informal relationship does not provide the same level of protection available through an established, formal relationship. The best way to formalize the relationship is to establish a written agreement or contract for banking services.

**Recommendation #2:**

This Office recommends that municipalities *a/ways* enter into written agreements or contracts for banking services. A written agreement, contract, or any written documentation between a municipality and a bank, even where account fees are below \$5,000, can ensure that the municipality is fully complying with public records requirements as well as meeting the responsibility of sound business practices. For larger accounts that may exceed federal insurance thresholds, a written agreement between the municipality and the bank can provide additional protection against losses, i.e., a collateralization agreement.

**Issue #3: *Infrequent review and/or renewal of banking services.***

Without the formal periodic review and renewal of banking service agreements there is no way to ensure that a municipality is receiving the best possible deal on fees and/or interest rates. The DOR/MCTA *Treasurer's Manual* states:

Evaluating the relationship between a municipality and its depository bank should not end with the selection of a bank in which to make deposits. Rather, the municipality should evaluate its relationship with the bank on at least a quarterly basis. This evaluation should include verification that the municipality is receiving the services contracted for and at the agreed price. While it is easy to verify the provision or non-provision of services, determining costs is more difficult. The municipality should require its depository bank to provide a periodic statement of the average earnings the bank has achieved on the deposits of the local jurisdiction, combined with a statement of the costs of services provided to it. This information gives the municipality a basis on which to evaluate the bank's ongoing performance.

After following a Chapter 30B process, with the approval of your local governing body (i.e., City Council, Town Meeting etc.) you may extend/renew your banking service agreements beyond three years. However, sound business practices suggest a formal review of cost, performance, and market research before renewing the contract. By doing this review, you can be assured that you are getting value for the public's money. The DOR/MCTA *Treasurer's Manual* also suggests that treasurers be "constantly aware of the various interest rates offered by area banks" through research and by communicating with area banks.

**Recommendation #3:**

This Office recommends the periodic review (one to three years) and re-procurement (every three years) of banking services. The *Treasurer's Manual* recommends that you "evaluate" your relationship with your bank(s) "on at least a quarterly basis" to ensure that you are getting what you paid for or what you have been promised. It is our experience that the need to re-procure services prompts a review of the need for those services and the quality of the services currently being received. Re-procurement also generates competition, and encourages service providers to present the municipality with the best deal for services. Periodic review and renewal of service agreements can only benefit your bottom-line.

**Issue #4: *Number of accounts per municipality.***

Many municipalities keep a large number of separate and distinct banking accounts. One municipality claims to maintain in excess of 150 accounts. While this practice does not by itself violate Chapter 30B and may be a statutory or accounting requirement, it may be expensive. It may also be a bureaucratic and accounting burden, which may make some of these funds susceptible to fraud, waste, and abuse. Our experience has shown that the potential for fraudulent behavior increases as control over funds becomes more difficult. A large number of accounts may be difficult to oversee, and thus create a deficiency in internal control. Keeping a large number of separate accounts may not be cost effective as each account is subject to account maintenance fees and in some cases these fees may be redundant due to a failure to aggregate accounts. Spreading funds across numerous accounts could also impede the municipality's ability to earn interest and/or invest these funds.

**Recommendation #4:**

If a municipality is keeping unnecessary accounts, then any maintenance fees paid for them are wasteful. In addition, the maintenance fees may exceed the interest paid (if interest is paid at all) on some of the smaller accounts, creating a situation where the account is actually costing the municipality money. We understand the need to keep separate accounts for accounting or statutory purposes. However, when a municipality

has a large number of accounts, this Office recommends that the treasurer review if the number of accounts is necessary, cost effective, and practical. In many instances, the treasurer may be able to consolidate accounts, reduce fees, and increase interest earnings. Your municipal accountant or CPA under contract should be able to assist you in determining how best to maintain records for consolidated funds. Reducing the number of required accounts may also act in the municipality's favor when procuring banking services. For instance, banks may offer better rates for a few large dollar accounts versus dozens of low dollar accounts.

**Issue #5: *Insufficient Record-Keeping Practices.***

In responding to the banking services self-audit, many treasurers were unable to compile the information we requested. Many treasurers explained that procurement files could not be located. This was especially true when there were staff changes.

**Recommendation #5:**

This Office recommends that you follow all record-keeping practices as outlined in the previous section, Banking Services and M.G.L. Chapter 30B. Proper record keeping is essential to ensure that an adequate audit trail exists.

**Issue #6: *Investment Services and the Financial/Investment Advisor and/or Consultant.***

The procurement of a financial/investment advisor and/or consultant is subject to Chapter 30B. It is the opinion of this Office that financial/investment advising and/or consulting services are distinct from bond issuance. For purposes of this report a financial/investment advisor and/or consultant is any person or firm hired to provide the municipality with financial or investment advising and/or consulting services. This advice may lead to municipal investing (e.g. mutual fund accounts). While we praise the exploration of alternatives to traditional banking that may save the taxpayers money or garner a greater return on invested tax dollars, we are concerned that the same level of financial protections may not exist for the municipality.

## **Recommendation #6:**

When making any investment of public money, we recommend that the treasurer consider the protection of the taxpayer's money. In all investments an inherent risk is involved. When taking a risk with taxpayers' money, it is imperative that the risk be an educated one. Municipal treasurers should identify the level of risk that their municipality would support for the investment of *public funds*. To limit risk, treasurers should thoroughly understand the investments they are making and should be confident about the ability and integrity of their financial/investment advisor and/or consultant. Although Massachusetts' law limits the liability of treasurers for the loss of funds due to the failure of a financial institution, a treasurer is still responsible for the prudent investing of public funds. Sound business practices and prudence should dictate the treasurer's use of the advice and services offered by the competitively procured financial/investment advisor and/or consultant.

When conducting an IFB/RFP for financial/investment advising and/or consulting services we recommend that the treasurer keep in mind the following criteria and questions<sup>9</sup>:

- Qualifications and expertise:
  - What are the advisor's professional qualifications and experience?
  - What licenses and/or certifications does the advisor hold?
  - What are the qualifications of other professionals on the advisor's staff?
- Experience managing portfolios similar to your municipality's:
  - What is the advisor's typical client?
  - Does the advisor have clients similar to your municipality?
- Structure of the firm:
  - How many clients does the advisor handle personally?
  - Will the advisor work directly with you, or will you be working with others on the advisor's staff?
  - What is the advisor's client turnover rate?

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<sup>9</sup> Adapted from "What Questions Should I Ask a Financial Advisor?" CFA Institute, date unknown. Available at <http://www.cfainstitute.org/investors/choosingafinancialadvisor.html>

- How many clients does the advisor's firm have now compared to five years ago?
  - What does the advisor think their firm will look like in five years?
- Stringent ethical and professional standards:
  - Has the advisor ever been disciplined for unlawful or unethical actions in their career?
  - Is there a written ethics/professional standards policy that you can see?

Additionally, for information purposes, all municipalities should note that they have access to the Massachusetts Municipal Depository Trust as an alternate vehicle for investing. Established in 1977 and managed by the State Treasurer's office and Fidelity Investments, the Municipal depository trust follows three investment objectives: preservation of capital, liquidity, and high current yield. The Legislature established the trust to allow the Commonwealth's political subdivisions to invest temporarily available cash and bond proceeds. Investing in the trust does not require the use of Chapter 30B or any other procurement process.

## **SECTION FOUR**

### **Listing of Selected Resources for Banking Services Procurement**

- CFA Institute (formerly the Association for Investment Management and Research)  
[www.cfainstitute.org](http://www.cfainstitute.org)  
*How to Select a Financial Advisor*  
<http://www.cfainstitute.org/investorservices/choosingafinancialadvisor.html>
  
- Federal Regulations  
12 C.F.R. 330.15 – Deposit Insurance for Public Units  
<http://www.fdic.gov/regulations/laws/rules2000-5400.html#2000part330.15>
  
- Federal Reserve Bank  
[www.federalreserve.gov](http://www.federalreserve.gov)
  
- Federal Reserve Bank – Boston Branch  
[www.bos.frb.org](http://www.bos.frb.org)
  
- General Laws of Massachusetts  
Chapter 30B. Uniform Procurement Act  
<http://www.mass.gov/legis/laws/mgl/GL-30B-TOC.HTM>  
Chapter 44: Section 53F. Deposits of public funds in banking institutions in return for banking services  
<http://www.state.ma.us/legis/laws/mgl/44%2D53f.htm>
  
- Government Finance Officers Association  
[www.gfoa.org](http://www.gfoa.org)  
GFOA Recommended Practice: *Procurement of Banking Services*, (1997).  
GFOA Recommended Practice: *Selection of Investment Advisers for Non-Pension Fund Assets*, (2003).



- Massachusetts Collectors' and Treasurers' Association

[www.masscta.com](http://www.masscta.com)

DOR and MCTA, *Treasurer's Manual*.

*The Collector Treasurer: A publication of the Massachusetts Collectors and Treasurers Association*, published triennially.
- Massachusetts Department of Revenue – Division of Local Services

[www.state.ma.us/dls](http://www.state.ma.us/dls)

Answers questions regarding municipal finance law; approves form of compensating balance agreements. DOR has issued two guideline reports regarding compensating balances, the first was issued in 1986, and the second, information guideline 90-105, was issued in 1990. DOR's current summary is contained in the Bureau of Accounts annual instructions to municipal treasurers for year-end reports, available on the DOR website:

[www.dls.state.ma.us/boa/boaeoy/GuidelinesonCompensatingBalance.pdf](http://www.dls.state.ma.us/boa/boaeoy/GuidelinesonCompensatingBalance.pdf)

*Compensating Balance Agreements of Cities, Towns & Districts*, (December, 2002).

*Technical Assistance Brochure for Municipal Officers*, (February 2003).

*A Guide to Financial Management for Town Officials*, (Unknown).
- Massachusetts Municipal Depository Trust

[www.fidelitypublic.com/mmdtnet](http://www.fidelitypublic.com/mmdtnet)

*Investment Circular*, (June, 2003).
- Massachusetts Office of the Attorney General

Enforces and interprets the public construction bid laws, designer selection, and the prevailing wage law.

[www.state.ma.us/ag/ago.htm](http://www.state.ma.us/ag/ago.htm)

- Massachusetts Office of the Inspector General

Accepts telephone requests for assistance with Chapter 30B, Monday – Friday, between 9:00 a.m. and 5:00 p.m.; provides training and technical assistance to public agencies; certifies public purchasing officials through the MCPPO program; conducts performance reviews; investigates complaints and allegations of wrongdoing.

[www.state.ma.us/ig](http://www.state.ma.us/ig)

Massachusetts Certified Public Purchasing Official Program

[www.state.ma.us/ig/mcppo/igmpo.htm](http://www.state.ma.us/ig/mcppo/igmpo.htm)

*Recommended Code of Conduct for Public Employees*, (August 1998).

*A Procurement Manual: Municipal, County, District, and Local Authority Procurement of Supplies, Services and Real Property*, 4th Edition, (October 2000).

*Practical Guide to Drafting Effective Invitations for Bids and Requests for Proposals for Supplies and Services*, (October 2000)

*Procurement Bulletin*, published quarterly.

*A Local Official's Guide to Procuring and Administering Audit Services*, (May 2004).

- Massachusetts Office of the Treasurer and Receiver General

[www.state.ma.us/treasury](http://www.state.ma.us/treasury)

- Massachusetts Operational Services Division
 

Awards a variety of statewide contracts that local officials may use without conducting a separate procurement process; administers and provides information on Comm-PASS, the Commonwealth's Procurement Access and Solicitation System.

[www.mass.gov/osd/](http://www.mass.gov/osd/)

Comm-PASS: For open and closed solicitations and contracts including the Banking Service solicitation by the Massachusetts Treasurer in 2003 (**TRE RFR 01Bank**).

[www.comm-pass.com](http://www.comm-pass.com)
- Massachusetts State Ethics Commission
 

Administers and enforces financial disclosure and conflict-of-interest laws, renders written advisory opinions upon request.

[www.state.ma.gov/ethics](http://www.state.ma.gov/ethics)

*Commission Fact Sheet No. 1: Avoiding "Appearances" of Conflicts of Interest.*

*Ethics Primer: Giving Gifts and Gratuities.*

*Ethics Primer: Financial Interests in Contracts.*

*Summary of the Conflict of Interest Law – No. 5: Treasurers and Collectors.*
- National Association of State Treasurers
 

For links to RFPs issued by other states and the websites of state treasurers around the country.

[www.nast.net](http://www.nast.net)
- North Carolina Department of State Treasurer - Financial Operations Division
 

*Banking Services Handbook*, (March 2004).

[www.treasurer.state.nc.us/NR/rdonlyres/46A7DE59-F049-4972-94B0-7BE0288E9A3F/\)/HandbookMar2004.pdf](http://www.treasurer.state.nc.us/NR/rdonlyres/46A7DE59-F049-4972-94B0-7BE0288E9A3F/)/HandbookMar2004.pdf)

- Phoenix-Hecht  
*The Blue Book of Bank Prices 2003-2004* (for purchase) or the Executive Summary (no charge).  
[www.phoenixhecht.com](http://www.phoenixhecht.com)
- Secretary of the Commonwealth  
Publishes the *Central Register* and *Goods and Services Bulletin*. Answers questions about the Public Records Law.  
[www.state.ma.us/sec](http://www.state.ma.us/sec)
- State of New Jersey, Department of the Treasury  
*A Collection of Municipal Best Practices*. Provides best practice sections from 50 of the Local Government Budget Review's Municipal reviews. Includes a discussion of Rutherford, NJ's request for proposals for banking services.  
[www.state.nj.us/treasury/lgbr](http://www.state.nj.us/treasury/lgbr)
- State of New York, Office of the State Comptroller, Division of Municipal Affairs  
*A Study of Cash Investment Practices for Local Governments in New York State*. (October 2000).  
<http://www.osc.state.ny.us/localgov/muni/perf/2000ps7.htm>

## **APPENDIX A**

### **State Treasurer Recommendations for IFB/RFP Preparation**

The Office of the State Treasurer and Receiver General<sup>10</sup> recommends the following when preparing an IFB/RFP for banking services:

1. *Know your business.* This will help you write a clear RFP. The RFP process is also a good time to analyze business practices and internal controls.
2. *Be flexible.* Ask banks to make suggestions for new products and procedures. Although you may have to change your operations, you could save significantly on fees if you organize your banking business differently.
3. *Be Transparent.* Give prospective bidders all the information they need, answer questions and try to clarify everything before awarding a contract. You cannot think of everything, but to the extent you can do your best to be clear, unforeseen issues will present fewer problems.
4. *Seek detailed pricing information.* Make banks list every fee they intend to charge and include a pricing matrix that gives examples of transaction volumes, but never commit to any volume of a particular transaction. If using compensating balances ask questions about interest credit rates and other policies, such as, expiration of credits.
5. *Look at what others are doing.* Don't be afraid to copy from others if what they have done makes sense for you – there's no reason to reinvent the wheel. Use available resources whenever possible.

The State Treasurers' 2003 banking service solicitation is available at Comm-PASS, the Commonwealth's Procurement Access and Solicitation System. Visit Comm-PASS at [www.comm-pass.com](http://www.comm-pass.com) and search for TRE RFR 01Bank.

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<sup>10</sup> "Bidding for Banking Services," Timothy A. Brooks, Assistant Treasurer, Cash Management, Office of the State Treasurer & Receiver General. Presented at the Massachusetts Collectors' and Treasurers' Annual Summer Meeting, June 15, 2004.

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## **APPENDIX B**

### **Sample Banking Services RFP**

Attached is a sample RFP prepared by the Office of the Inspector General based on samples provided by the Massachusetts Collectors' and Treasurers' Association and municipal treasurers and procurement officials. The attached sample RFP is for ***informational purposes only*** and should only be used as a guide. The Office of the Inspector General makes no claims, promises, or guarantees about the accuracy, completeness, or adequacy of information contained in the sample RFP, which should not be used as a substitute for the advice of competent counsel.

**TOWN OF YOURTOWN**  
**MASSACHUSETTS**  
**REQUEST FOR PROPOSAL**  
**RFP NO. XX**

Proposals are invited and will be received by the Chief Procurement Officer, Town Hall, 100 Main Street, Yourtown, Massachusetts XXXXX on or before 11:00 A.M., Xxxxday, April XX, 200X for the furnishing of the following to the Town of Yourtown:

The Town of Yourtown is seeking proposals from qualified firms for professional services for banking services. Firms must be full service banking institutions with demonstrable experience in municipal banking. The Town will pay for these services on a compensating balance/earning credit agreement basis. The intended duration of the contract is: July 1, 200X - June 30, 200X.

Copies of the Request For Proposal may be obtained from the Office of the Town Administrator on and after Xxxxday, May XX, 200X, between the hours of X:XX a.m. and X:XX p.m. Xxxxday – Xxxxday.

The successful Offeror must be an Equal Opportunity Employer.

Questions concerning the RFP must be submitted in writing by X:XX p.m. Xxxxday, April XX, 200X, to the Chief Procurement Officer, Town of Yourtown at the address above or by fax number (XXX) XXX-XXXX. Answers will be sent to all vendors who received an RFP through the Office of the Chief Procurement Officer.

Three (3) sealed copies of proposals shall be submitted with a separate sealed envelope for the price proposal. Only one (1) copy of the price proposal is required. Both envelopes shall be clearly marked "Banking Services."

Proposals delivered after the appointed time and date will be rejected.

The Town Administrator reserves the right to cancel any request for proposals, to reject in whole or in part any and all proposals when it is deemed in the best interest of the Town of Yourtown to do so.

JANE Q. PUBLIC  
CHIEF PROCUREMENT OFFICER  
TOWN OF YOURTOWN

March 1, 200X



## **I. NOTICE OF REQUEST FOR PROPOSAL FOR BANKING SERVICES**

The Town of Yourtown requests proposals for banking services from qualified, full service banking institutions with demonstrable experience in municipal banking. The Town will pay for these services on a compensating balance/earnings credits agreement.

Banking institutions must have their principal office within the Commonwealth of Massachusetts, must be able to provide the full range of banking services described in this document, must meet all minimum criteria and must submit a complete proposal. Banks submitting a proposal must be familiar with and be able to comply with all Massachusetts General Laws pertaining to municipal banking regulations.

## KEY DATES FOR THIS PROPOSAL

RFP Issued	Xxxxxday, April XX, 200X
Deadline for submitting questions on RFP	Xxxxxday, April XX, 200X – X:XX PM
Proposal due, proposal screened, evaluation begins	Xxxxxday, May XX, 200X – X:XX AM
Anticipated Contract Award	May XX, 200X
Bank services commence	July 1, 200X

## **II. TERMS AND CONDITIONS**

1. The Bank must comply with all laws, bylaws, and regulations of the Commonwealth of Massachusetts and the Town of Yourtown.
2. Vendor is not an agent or employee of the Town of Yourtown and is not authorized to act on behalf of the Town of Yourtown.
3. This agreement supersedes all prior agreements and understandings between the parties and may not be changed unless mutually agreed upon in writing by both parties.
4. Vendor shall not engage any other company, sub-contractor or individual to perform any obligation hereunder, without the prior written consent of the Town of Yourtown.
5. The Proposer certifies that no official or employee of the Town of Yourtown has a financial interest in this proposal or in the contract that the proposer offers to execute or in the expected profits to arise there from, unless there has been compliance with provisions of Massachusetts General Laws Chapter 43, sec. 27 (Interest in Public Contract by Public Employees), and Massachusetts General Laws, Chapter 268A, sec. 20 (Conflict of Interest), and that this proposal is made in good faith without fraud or collusion or in connection with any other person submitting a proposal.
6. The Town of Yourtown shall have the right to terminate this agreement if (i) Vendor neglects or fails to perform or observe any of these obligations hereunder and a cure is not effected by Vendor within fifteen (15) days following Vendor's receipt of a termination notice issued by the Town of Yourtown, or (ii) if a judgment or decree is entered against Vendor approving a petition for any arrangement, liquidation, dissolution or similar relief relating to bankruptcy or insolvency and such judgment or decree remains unvacated for thirty (30) days; or (iii) immediately if Vendor shall file a voluntary petition in bankruptcy or any petition or answer seeking any arrangement, liquidation or dissolution relating to bankruptcy, insolvency or other relief or debtors shall seek or consent or acquiesce an appointment of any trustee, receiver of liquidation of any of Vendor's property; or (iv) funds are not appropriated or otherwise made available to support continuation of performance in any fiscal year succeeding the first year of this Agreement. The Town of Yourtown shall pay all reasonable and supportable costs incurred prior to termination, which payment shall not exceed the value of service provided.
7. Upon termination, Vendor shall immediately return to the Town of Yourtown, without limitation, all documents, plans, drawings, tools and items of any nature whatsoever, supplied to the Vendor by the Town of Yourtown or developed by the Vendor in accordance with this Agreement.
8. It is understood and agreed that it shall be a material breach of any contract resulting from this RFP for the contractor to engage in any practice that shall violate any provision of Massachusetts General Laws, Chapter 151B, relative to discrimination in hiring, discharge, compensation, or terms, conditions or privileges of employment because of race, color, religion, creed, national origin, sex, or ancestry.

9. To withdraw, cancel, or modify a RFP at any time prior to the RFP opening date, a proposer must submit such request in writing to the Purchasing Director. Correction or modifications must be sealed when submitted and must indicate on the outside of the envelope whether the correction or modification pertains to the price proposal or the non-price proposal.

10. The Town reserves the right to extend the length of any contract under any option year(s) as originally stated in the contract and/or to increase the total contract price by 25%, at the sole discretion of the Purchasing Director, in compliance with Massachusetts General Laws, Chapter 30B, Section 13.

11. The Offeror's proposal will remain in effect for a period of 90 days from the deadline for submission of proposals or until it is formally withdrawn, a contract is executed or this RFP is canceled, whichever occurs first.

12. The contract will be for a period of three years, beginning on July 1, 200X, and ending on June 30, 200X.

13. The Town will have the option to cancel the contract provided that written notice is given 90 days prior to the effective termination date. The Bank may request a meeting within seven days of receipt of intent to cancel, for the purpose of resolving the issue(s) that led to the cancellation.

14. The Town also reserves the right to divide the banking services described in this RFP among more than one financial institution responding to the RFP.

15. The Procurement Officer shall cancel the contract if funds are not appropriated or otherwise made available to support continuation of performance in any fiscal year succeeding the first year.

### III. EVALUATION OF PROPOSAL

The Town Treasurer and Town Administrator will evaluate all proposals in accordance with M.G.L. Chapter 30B by the Selection Committee, and final selection will be based upon an evaluation and analysis of the information and materials required under the RFP. The Selection Committee will be composed of employees of the Town. The Town reserves the right to involve an outside consultant in the selection process. The Town also reserves the right to consult banking industry publications to verify information supplied in the proposals. Proposals that meet the minimum criteria will be reviewed for responses to the comparative evaluation criteria presented in **Section VII: Comparative Evaluation Criteria**. The Selection Committee will assign a rating of Highly Advantageous, Advantageous, Not Advantageous and Unacceptable to the comparative evaluation criteria.

If the Offeror cannot provide a service as it is described in Section V-Service Specifications, but believes it can offer equivalent or superior services by some other means, the Offeror must identify the mandatory specifications, state that it is offering an alternative, and provide a description of the proposed alternative. The proposal should describe the alternative thoroughly and should clearly state how the alternative achieves equivalent or superior performance or results.

The Town will award a contract to only a responsive and responsible proposer(s). Before awarding the contract(s), the Town may require additional information to insure that the Bank has the resources to perform the required services. The Town reserves the right to reject any and all bids if it determines that the criteria set forth have not been met.

The Town will select the lowest cost fee-proposal of the organization best able to provide the services needed by the Town of Yourtown. The Town reserves the option to make a separate award of services (depository vs. payroll vs. accounts payable). The Treasurer's office requires all banking services normally associated with a municipality to include investments, trust funds, depository/sweep accounts, Commonwealth electronic transfers in (State aid), electronic and ACH transfers between organizations, and automated account reconciliation. The Town also expects to be notified by the receiving bank of all Automated Clearing House (ACH) deposits into its account or accounts from State and Federal Agencies, via a faxed confirmation on the date of deposit. With respect to Trust Fund Account reporting, monthly reports are required. Online banking to review daily transactions, make transfers between accounts and electronic transfer to other institutions is also required.

Each institution offering price quotes should be rated Green, three stars or better in the Veribanc, Inc. bank rating report. Please provide your bank's rating for each quarter for the last three years.

**The following rating system will be used in the evaluation of the proposals.**

All Non-Price proposals will be evaluated based upon Minimum and Comparative Criteria. Proposals must address each of the points under these criteria. Failure to provide detailed responses may result in the proposal receiving a low ranking.

**Minimum Evaluation Criteria**

In written form or document submittal, each proposal must meet all of the following criteria in order to be considered for further evaluation.

1. The submission of information and forms identified in **Section IV: Instructions**.
2. The submission of Non-Price and Price proposals in the format and by the deadline noted in **Section IV: Instructions**.

Those proposals which do not meet the Minimum Evaluation Criteria will be deemed Non-Responsive and will not be considered.

**Comparative Evaluation Criteria**

The ratings of Highly Advantageous, Advantageous and Not Advantageous, and Unacceptable will be used to measure the relative merits of each Non-Price Proposal that has met the Minimum Evaluation Criteria described above.

**Highly Advantageous:** A proposal that, in written form, includes all completed form submittals, fully describes, and thoroughly meets all minimum requirements in this RFP, and exceeds the minimum requirements in this RFP.

**Advantageous:** A proposal that includes all completed form submittals, fully describes, and thoroughly meets all minimum requirements in this RFP.

**Not Advantageous:** A proposal that clearly does not meet a majority of the minimum requirements in this RFP, or because of vagueness or lack of information may not allow a full understanding of the proposer's description of services.

**Unacceptable:** A proposal that clearly does not meet any of the minimum requirements in this RFP, or because of vagueness or lack of information does not allow a full understanding of the proposer's description of services.

All proposals will be evaluated based on the ability to meet the required specifications as well as capability, integrity, reliability, and reputation to meet the contract requirements.

## IV. INSTRUCTIONS

All information in the proposal should be organized and presented as directed below. The proposal should provide a straightforward and concise description of the Offeror's commitment and ability to perform the banking services described in this document. To expedite the evaluation of proposals, it is essential that the Offeror strictly adhere to the instructions in this part. A proposal may be deemed to be non-responsive, at the Evaluation Committee's discretion, if an Offeror fails to comply with the following instructions.

1. Four separate envelopes, three each containing the non-price technical proposal and marked "Proposal - Banking Services - Non-Price" and one containing the price proposal and marked "Proposal - Banking Services - Price" must be received by John Q. Public, Chief Procurement Officer, at the Town Administrator's Office, Town Hall, 100 Main Street, Yourtown, Ma XXXXX on or before 11:00 A.M. on Xxxxxday, May XX, 200X. M.G.L. Chapter 30B requires that price proposals be separate from technical proposals. Therefore, please make no reference to Pricing in the non-price technical proposal. Failure to adhere to this requirement will result in disqualification. It is the sole responsibility of the proposer to insure that the proposal arrives on time at the designated place.
2. The signature of the authorized official(s) must be provided on all the proposal forms.
3. The Quality Requirements Form must be completed. YES or NO must be checked for each of the quality requirements. Please use the form provided in this document.
4. The Banking Services Proposal-Non-Price must include Minimum Evaluation Criteria (Appendix B), Required Documentation (Appendix C), and Certification (Appendix D). Accuracy and completeness are essential. The successful proposal will be incorporated into a contract. Therefore, proposers should not make claims that they are not prepared to commit themselves to contractually.
5. The Price Proposal - Banking Services must be submitted on a Fee Schedule (Appendix A). Years One, Two and Three must be completed. No substitute forms will be accepted. Pricing must remain firm.
6. Failure to answer any question, to complete any form or to provide the documentation required would be deemed non-responsive and result in automatic rejection of the bid unless the Town determines that such failure constitutes a minor informality, as defined in Chapter 30B.

7. All interpretations of the RFP and additional instructions will be in the form of written addenda to the RFP. Questions and requests for clarification should be submitted in writing to John Q. Public, Town Treasurer, P.O. Box 1234, Yourtown, MA 0XXXX, or fax number (XXX) XXX-XXXX by Date and Time. Any information that is sent to one proposer will be made available to all proposers. To receive the responses to any questions that other proposers have submitted, provide the name, address, telephone number and fax number of the person to whom the information should be sent.



## V. QUALITY REQUIREMENTS

Please answer each of the following questions by checking either YES or NO. Failure to respond to every item will result in the rejection of your bid. Failure to respond yes to those questions labeled minimum requirements will also result in the rejection of your bid.

1. The banking institution has its headquarters and principal offices located in the Commonwealth of Massachusetts. Minimum requirement

**YES\_\_ NO\_\_**

2. The banking institution is a member of the Federal Deposit Insurance Corporation (FDIC). Minimum Requirement

**YES\_\_ NO\_\_**

3. Massachusetts General Law Chapter 44 Section 55 requires that the maximum percentage of Town deposits that a banking institution may hold in relation to their capital and surplus holdings is 60%. The Town's average monthly balance has been approximately \$X million. However, the balance can be as high as \$Y million during the course of a fiscal year. If the Town's average balance continued at these levels, does banking institution meet this requirement? Minimum requirement

**YES\_\_ NO\_\_**

4. The Offeror has had four or more years experience providing banking services substantially similar to those described in Section VI, Scope of Services, to at least one municipality with an annual operating budget of \$XX,000,000 or greater.

**YES\_\_ NO\_\_**

5. The banking institution is a member of the Automated Clearing House (ACH) and can accept direct deposit payments to the Town from various sources and can process direct deposit of Town payroll checks. Minimum Requirement

**YES\_\_ NO\_\_**

6. The Town provides payroll direct deposit information via files transmitted electronically using file transfer protocols. The file language is ASCII. The Offeror is able to process information provided in this format.

**YES\_\_ NO\_\_**

7. The Offeror can accommodate various FTP in encryption mode for Security purposes that the Town may require in the transmission of financial data. Minimum Requirement

**YES\_\_ NO\_\_**

8. The Offeror can accommodate both scan line using OCR, and/or Bar-coding in their Lockbox operation. Minimum Requirement

**YES\_\_ NO\_\_**

9. The Offeror will credit the Town's deposit accounts with available funds according to the availability schedule established by the Federal Reserve. Minimum Requirement

YES\_\_ NO\_\_

10. The banking institution has a main or branch office located within the town limits of Yourtown, or has the ability to arrange for payroll check cashing privileges for Town employees at a location (bank) within the town boundaries, at no cost to the employees. Minimum Requirement

YES\_\_ NO\_\_

11. The Offeror can provide, at the Town's discretion, the following services (a more detailed description of each item is provided in Section VI):

YES NO

- A. Wire transfers, ACH collections, disbursements (including direct deposit of employee payroll checks).
- B. Automated reconciliation plan (ARP) for all disbursement accounts.
- C. Daily deposits, and armored car service to Treasury Office in Town Hall and Traffic Department currently located at 100 Main Street.
- D. Daily account balance reporting, daily and monthly bank statements.
- E. Federal and State income tax withholding payments.
- F. General banking services such as: stop payments, coin processing, research and retrieval of cashed checks, canceled check storage.
- G. Check Imaging Capability and CD-ROM storage of Town's banking records.
- H. Credit card payment processing for Traffic & Parking, and any other Town departments that, in the future, decide to accept credit cards.
- I. Coin processing for Parking Meter Collections and, infrequently, coin processing for other departments.
- J. Cash investments such as certificates of deposit, repurchase agreements, and high-yielding money market accounts.

— —

K. Ability, at the Town's request, to collateralize Town deposits and investments that are more than \$100,000.

## VI. SERVICE SPECIFICATIONS

The purpose of this Request for Proposals (RFP) is to obtain from qualified banking institutions detailed proposals for the provision of a full range of banking services. The successful proposer will become the Town's principal bank. The following describes both the Town's current banking system and the transactions for each account. The Town intends to maintain this system. Pricing should be based on these specifications. The volumes listed in Appendix A are estimates based on fiscal year 200X transactions. The actual volume may be greater or lesser. If the Offerer does not provide these services as described below, but believes it can offer equivalent or superior results by some other means, the alternative service should be described, in detail, in Part Three of the Offer's proposal. (See Section IV of this RFP for further details.)

**Account Structure:** The Town's account structure includes separate accounts for deposit and disbursement accounts. Deposits are made to various accounts including Lockbox receipts, Regular receipts, Traffic and Parking Lockbox receipts, Traffic and Parking receipts and other accounts. Disbursements are made from the following accounts: Two Town Payroll accounts, and a Vendor disbursement account.

The deposit accounts are interest-bearing accounts. Funds in the deposit accounts are either transferred to the disbursement accounts or transferred or wired out for investment purposes.

The disbursement accounts are interest-bearing accounts. The balance in these accounts is equal to outstanding checks. On a regular basis the Town determines the funding amount needed to meet its anticipated obligations, and transfers this amount from the deposit accounts to one or more of the disbursement accounts.

If any disbursement account is overdrawn, the bank will honor all checks that clear against the disbursement accounts, and will charge the Town an overdraft fee. This fee is calculated by multiplying the amount of the overdraft by the current prime rate for one day on a 365-day basis. The Town does not foresee an overdraft occurring in any other account; however, the overdraft fee in all other accounts described in this section will be calculated in the same manner, should the account become overdrawn.

Checks returned for insufficient funds, which were deposited into the General Town receipts or Lockbox accounts are charged against this account. Checks returned for insufficient funds should not be redeposited and should be sent in a timely manner to the Town Treasurer's office for processing. NSF checks deposited to the Traffic and Parking accounts, and Water/Sewer Lockbox account are charged directly to those individual accounts.

## **GROUP I: OPERATING ACCOUNTS**

### **DEPOSITORY ACCOUNT:**

Receipts: All deposits, unless otherwise specified, are made to the Depository Account. The majority of these deposits are made directly by the Treasurer's office. Currently, four other departments also deposit funds directly to the bank using deposit tickets, which are coded for their department. The deposits appear on the daily transaction statement with the code so that the Town can identify all deposits. Other receipts include transfers from other banks. Four school cafeteria employees deposit daily receipts to this account. We are currently using night depository for a majority of all transactions. If deposits to the teller window are available, please specify the cost associated with this service.

Disbursements: The Town wires funds weekly from this account to the payroll and vendor accounts.

The Town utilizes an automatic investment feature (Sweep) whereby any excess balance in our Depository account is invested in an overnight repurchase agreement with interest being credited to the Depository account the following day.

### **PAYROLL ACCOUNT:**

Fully Funded Account: The Town maintains a separate, fully funded account for payroll. Funds are deposited on the first business day of each week to cover all payroll checks and direct deposits. State and federal taxes are wired from this account along with garnishments, credit union deductions and teacher and police union deductions. This account is on a check reconciliation plan. The Town would be interested in pursuing automated account reconciliation.

The Town is using the Munis payroll system to process and transfer its payroll information.

### **VENDOR ACCOUNT:**

Fully Funded Account: This account is on an Account Reconciliation Plan (ARP) with check issue information transmitted to the bank via data transmission weekly. Data is usually transmitted within two to three days from the date of the check. The Town issues one warrant weekly. The Town transfers the amount of checks weekly. Funds are deposited on the first business day of each week to cover all accounts payable checks/transactions.

## **GROUP 2: MONEY MARKET AND CHECKING ACCOUNTS**

The Town maintains separate money market accounts for the health insurance account, capital expenditure fund account, community preservation fund and four student activity accounts. The Town also maintains several money market accounts with various banks for the general fund. The Town also maintains four separate checking accounts for the student activity accounts. The checking accounts contains the amount that the school

is authorized to spend. The remaining funds are kept in the money market accounts.

The Town maintains separate bank accounts for all capital projects for which the Town has the authority to borrow (for bans and bonds).

### **GROUP 3: TRUST FUNDS, ESCROW ACCOUNTS, ETC.**

The Town receives a monthly bank statement that separates its trust funds, escrow accounts, and gift accounts into separate categories. Each account earns its own interest. A master checking account is also associated with this account to transfer from the individual accounts to cover the warrant.

### **GROUP 4: OTHER SERVICES**

#### **DEPOSIT TIMES AND LOCATIONS**

Deposits are made daily to the local branch via the night deposit box except for the student activity accounts and ambulance receipts. Student activity and ambulance deposits are made to the teller window. Same day credit is required.

#### **PAYROLL TAX DEPOSITS**

The Town currently pays federal and state payroll taxes by electronic payment via a wire transfer with a quarterly statement of transactions made. The selected bank must be able to provide this service or a similar service.

#### **OVERDRAFTS**

The Town does not intentionally overdraw accounts. If, however, an account is overdrawn, the Bank must honor all checks presented. No Town issued checks are to be returned unless payment was stopped.

#### **STATEMENTS**

The Town requires monthly bank statements for all accounts, which must be received by the 10th day of the following month.

#### **ACCOUNT RECONCILIATION PLAN (ARP)**

The accounts for Payroll and Vendor checks are on an Account Reconciliation Plan (ARP). The monthly reports that the Town receives include checks issued, paid, stopped, voided and outstanding. Special reports are also requested during the year, sorted in payee identification order. The Town would be interested in automating the ARP process.

#### **CHECK STORAGE AND RETRIEVAL**

The Town utilizes a monthly bank check copying, storing and retrieval process that produces the front and back images of each check on an optical compact disk. Each month the bank will send to the Town a cumulative monthly CD of all checks paid during that period. The bank will retain custody of the actual canceled checks in accordance

with the Records Retention requirements of the Commonwealth of Massachusetts. During conversion, the Town will require that the Bank hold the canceled checks until the imaging system is fully operational. Other bank items, such as debit memos, will be returned each month with the bank statement.

#### EMPLOYEE CHECK CASHING

Employees must be able to cash paychecks and vendor checks. If the Bank does not have a branch in Yourtown, it must make arrangements for this service and indicate the cost, if any, on the fee schedule. Employees must not be required to have an account at the bank or pay fees for cashing these checks.

#### ACH ORIGINATION SERVICES

The Town currently utilizes Direct Deposit for payroll and various payroll deductions. The Town intends to explore the option of utilizing Direct Debit for collection of taxes and fees. A description of the bank's program and pricing is requested.

#### SAFETY DEPOSIT BOX

The Town currently has three safe deposit boxes for the storage of microfilmed data and computer tapes. The selected bank must be able to provide this service.

#### TAXPAYER PAYMENTS ON LINE

The Town is currently exploring the feasibility of offering online service for our customers to pay their real estate and motor vehicle bills on line. Please describe the bank's facilities for offering this service.

## SECTION VII. COMPARATIVE EVALUATION CRITERIA

The purpose of information requested in this section is to assist the Town in evaluating the Offeror's overall qualifications, including its financial strength, its management capabilities and its commitment to the communities it serves, including Yourtown. Responses to the following areas should be brief, yet complete.

### Financial Strength of the Offeror

Please provide a summary sheet with the following information for 6/30/04 and 12/31/04:

1. Return on Average Assets
2. Return on Average Equity
3. Ratio of Non-performing loans to Gross Loans
4. VERIBANK rating

Each result will be evaluated as follows:

	<b>Return on Assets</b>	<b>Return on Equity</b>	<b>Non-performing/ Gross Loans</b>	<b>VERIBANK Rating</b>
Highly Advantageous	Over 1.25%	Over 10.0%	Under 1.00%	Green/3 stars
Advantageous	0.75% - 1.25%	7.5% - 10%	1.00% - 1.75%	Green/2 stars
Not Advantageous	0.5% - 0.75%	Below 7.5	1.75% - 2.5%	Yellow/2 stars
Unacceptable	Less than 0.5%	Negative	Over 2.5%	-

### Community Responsiveness of Bank

Please provide Community Reinvestment Act reports for 200X, 200Y and 200Z (if available). The composite score will be evaluated as follows:

	<b>Composite Score</b>
Highly Advantageous	Outstanding
Advantageous	Satisfactory
Not Advantageous	Needs Improvement
Unacceptable	Not in Compliance



## Management Capabilities

The Offeror should describe its management capabilities in the banking services relevant to this RFP. This section should include the names and professional qualifications of the bank employees who will have primary responsibility for administering the Town's account. Please provide a statement as to the availability of staff performing all services. The senior individual assigned to the account will have over 10 years municipal banking experience to be considered Highly Advantageous, more than 7 and up to 10 years for Advantageous, more than 4 and up to 7 years for Not Advantageous. Less than 4 years will be considered Unacceptable.

## Lockbox Location

Highly Advantageous	Both the Banking Institution's Lockbox operation and Disaster Recovery Lockbox facility are physically located in the Commonwealth of Massachusetts
Advantageous	The Banking Institution's Lockbox operation is physically located in the Commonwealth of Massachusetts; however, its Disaster Recovery Lockbox facility is located elsewhere in New England.
Not Advantageous	Both the Banking Institution's Lockbox operation and Disaster Recovery Lockbox facility are physically located outside the Commonwealth of Massachusetts; however, both are located in New England.
Unacceptable	Both the Banking Institution's Lockbox operation and its Disaster Recovery Lockbox facility are physically located outside the Commonwealth of Massachusetts and outside of New England.

## References

Please provide a list of three references, at least one of which is a Massachusetts municipality with an annual operating budget of \$XX,000,000 that can be contacted during the RFP process. At least two of the references must be current customers for which Offeror is providing services similar to those outlined in the RFP, including lockbox services. It is permissible for one reference to no longer be an active customer of your bank. Include the customer name, contact person, his/her title, address and telephone number. Three references, all with budgets of over \$XX,000,000 will be considered Highly Advantageous. Three references, two with budgets over \$XX,000,000 will be considered Advantageous. Three references, only one of which has a budget of over \$XX,000,000 will be considered Not Advantageous. Three references, none of which have budgets over \$XX,000,000, will be considered Unacceptable.

## **Desired Services**

Does the bank have the ability to report on account activity, place stop payments, make investments, and wire funds to other institutions using a secure internet connection? A bank that can do all of the above will be considered Highly Advantageous. If it can do some, but not all of the above, it will be considered Advantageous. If it cannot perform any of the above, it will be considered Unacceptable.

## **VIII. OTHER INFORMATION**

The Town will find other information about the bank useful. The information supplied here does not lend itself to quantitative comparison analysis; however, it can be invaluable in understanding the bank's business philosophy.

### **Financial Strength of the Offeror**

1. The following financial reports should be submitted with Offeror's proposal: annual financial reports, including a complete set of audited financial statements, auditor's opinion, and notes for the financial statements of the three most recently completed fiscal years, as well as quarterly financial reports for the incomplete current fiscal year (if any).
2. What was the value of the banking institution's capital and surplus holdings as of June 30, 200X and October 30, 200X?
3. Please provide a copy of the banking institution's Form 10-Q Quarterly Report under Section 13 or 15(d) of the Securities Exchange Act of 1934, or equivalent report, for the quarter ending June 30, 200X (also include this report for the quarter ending December 31, 200X if it is available).

### **Conversion Plan**

The contract for banking services will commence July 1, 200X. Offeror should outline a conversion timetable and work plan that allows banking services to commence July 1, 200X. Banking services must commence on July 1, 200X. In addition, please provide the name of the project manager, the experience this individual has had in converting similar accounts, and the estimated amount of time that the project manager will dedicate to the project.

### **Interest Rates**

The Town reserves the right to require full collateral for its deposits over \$100,000. Please describe the bank's ability to respond to such a requirement, including type of securities and percentage of market value that will be used, the location of the pledged securities (e.g. third-party safekeeping), and the effect that collateral will have on interest rates. Please provide the average monthly interest rate, for each month in calendar year 200X, that your bank provided to its municipal customers.

### **Additional Information that Offeror wishes to provide**

The Offeror may provide additional information regarding services offered that go beyond the specific information requirements in this RFP. Any additional information submitted should be specific as to the additional services that your financial institution is prepared to offer the town.

## **Other Requirements**

1. The selected Bank must provide the Town with a CURRENT “Certificate in Good Standing” from the Commonwealth of Massachusetts. Additional information related to this requirement is included in this RFP.
2. The Signature Form must be completed by the Offeror.

**PRICE SUMMARY FORM – Option A Vendor awarded all banking services\***

**All quantities provided are estimates only and not guaranteed**

		Year One 6/1/04 - 5/30/05	Year Two 6/1/05 - 5/30/06	Year Three 6/1/06 – 5/30/07
Banking Service	Average Monthly Volume	Unit Price	Unit Price	Unit Price
Account Maintenance	12	___/acct	___/acct	___/acct
Checks Paid (Debits)	4,700	___/item	___/item	___/item
Deposits (Credits)	150	___/item	___/item	___/item
Checks Deposited	18,000	___/item	___/item	___/item
Returned checks	50	___/item	___/item	___/item
Wire In	5	___/item	___/item	___/item
Wire Out	5	___/item	___/item	___/item
Internal Transfer	10	___/item	___/item	___/item
Direct Deposit transmission to other banks		___/item	___/item	___/item
Direct Deposit Transmission from Payroll vendor		___/item	___/item	___/item
Coin Processing	100,000 quarters	___/item	___/item	___/item
Account Reconciliation Base Fee	12	___/acct	___/acct	___/acct
Reconciliation of each transaction	4,900	___/item	___/item	___/item
Check storage-Base Fee		___/item	___/item	___/item
Check storage of cancelled checks	4,400	___/item	___/item	___/item
Vendor Check Printing (2 copy/pin fed)	Run of 5,000	___/run	___/run	___/run
Charge Back Fee	50	___/item	___/item	___/item
Cash Management sweep account	5	___/acct	___/acct	___/acct
ACH received Debit	50	___/item	___/item	___/item
WEB Deposit Recon	85	___/item	___/item	___/item
Electronic Tax Withholding Payments -Base Fee	1	___/month	___/month	___/month
Electronic Tax Withholding-Per Item		___/item	___/item	___/item

		Year One 6/1/04 - 5/30/05	Year Two 6/1/05 - 5/30/06	Year Three 6/1/06 – 5/30/07
Banking Service	Average Monthly Volume	Unit Price	Unit Price	Unit Price
On-Line account Information	12	____/month	____/month	____/month
Stop Payments	7	____/item	____/item	____/item
Additional Statements	2	____/item	____/item	____/item
Armored Car Service	20	____/trip	____/trip	
CD Rom (canceled checks)	1-2	____/item	____/item	____/item
Check copies	15	____/item	____/item	____/item
Night Deposit	1-5	____/item	____/item	____/item
Lockbox item processing	4500	____/item	____/item	____/item
Lockbox unprocessable returns	50	____/item	____/item	____/item
Lockbox messenger service		____/day	____/day	____/day

\* It is the Town's preference to award one contract covering all banking services described in this RFP; however, the Town reserves the right to award multiple contracts depending on responses received.

**Any additional charges must be listed below. The Town will not pay for any charges not included herein.**

**NAME OF BIDDER:** \_\_\_\_\_

**PRICE SUMMARY FORM – Option B Vendor awarded only a portion of banking services\***

**All quantities provided are estimates only and not guaranteed**

		Year One 6/1/04 - 5/30/05	Year Two 6/1/05 - 5/30/06	Year Three 6/1/06 – 5/30/07
Banking Service	Average Monthly Volume	Unit Price	Unit Price	Unit Price
Account Maintenance	12	___/acct	___/acct	___/acct
Checks Paid (Debits)	4,700	___/item	___/item	___/item
Deposits (Credits)	150	___/item	___/item	___/item
Checks Deposited	18,000	___/item	___/item	___/item
Returned checks	50	___/item	___/item	___/item
Wire In	5	___/item	___/item	___/item
Wire Out	5	___/item	___/item	___/item
Internal Transfer	10	___/item	___/item	___/item
Direct Deposit transmission to other banks		___/item	___/item	___/item
Direct Deposit Transmission from Payroll vendor		___/item	___/item	___/item
Coin Processing	100,000 quarters	___/item	___/item	___/item
Account Reconciliation Base Fee	12	___/acct	___/acct	___/acct
Reconciliation of each transaction	4,900	___/item	___/item	___/item
Check storage-Base Fee		___/item	___/item	___/item
Check storage of cancelled checks	4,400	___/item	___/item	___/item
Vendor Check Printing (2 copy/pin fed)	Run of 5,000	___/run	___/run	___/run
Charge Back Fee	50	___/item	___/item	___/item
Cash Management sweep account	5	___/acct	___/acct	___/acct
ACH received Debit	50	___/item	___/item	___/item
WEB Deposit Recon	85	___/item	___/item	___/item
Electronic Tax Withholding Payments -Base Fee	1	___/month	___/month	___/month
Electronic Tax		___/item	___/item	___/item

		Year One 6/1/04 - 5/30/05	Year Two 6/1/05 - 5/30/06	Year Three 6/1/06 – 5/30/07
Banking Service	Average Monthly Volume	Unit Price	Unit Price	Unit Price
Withholding-Per Item				
On-Line account Information	12	____/month	____/month	____/month
Stop Payments	7	____/item	____/item	____/item
Additional Statements	2	____/item	____/item	____/item
Armored Car Service	20	____/trip	____/trip	____/trip
CD Rom (canceled checks)	1-2	____/item	____/item	____/item
Check copies	15	____/item	____/item	____/item
Night Deposit	1-5	____/item	____/item	____/item
Lockbox item processing	4500	____/item	____/item	____/item
Lockbox unprocessable returns	50	____/item	____/item	____/item
Lockbox messenger service		____/day	____/day	____/day

\* It is the Town's preference to award one contract covering all banking services described in this RFP; however, the Town reserves the right to award multiple contracts depending on responses received.

Any additional charges must be listed below. The Town will not pay for any charges not included herein.

**NAME OF BIDDER:** \_\_\_\_\_



CERTIFICATE OF NON-COLLUSION

The undersigned certifies under penalties of perjury that this RFP has been made and submitted in good faith and without collusion or fraud with any other person. As used in this certification, the word "person" shall mean any natural person, business, partnership, corporation, union, committee, club, or other organization, entity, or group of individuals.

AFFIDAVIT OF TAX COMPLIANCE

Pursuant to M.G.L. c.62, §49a, I certify under the penalties of perjury that I, to my best knowledge and belief, have filed all Massachusetts tax returns and paid all Massachusetts taxes required under law, as well as paid all contributions and payments in lieu of contributions pursuant to M.G.L. c.151, §19A(b)

---

Signature of Authorized Person

---

Name of Business or Corporation

---

Federal Tax Identification Number

---

Date

## CERTIFICATE IN GOOD STANDING

The **Awarded Vendor** must comply with our request for a **CURRENT “Certificate in Good Standing.”**

If you require information on how to obtain the “Certificate in Good Standing” or Certificate of Registration (Foreign Corporations) from the Commonwealth of Massachusetts, please call the Secretary of State’s Office at (617) 727-2850 (Press #1) located at One Ashburton Place, 17<sup>th</sup> Floor, Boston, MA 02133 or you may access their web site at: [www.MA.GOV/SEC/COR](http://www.MA.GOV/SEC/COR)

If your company is incorporated outside of Massachusetts and, therefore, is a “foreign corporation,” but is registered to do business in Massachusetts, please comply with our request for the Certificate of Registration from the Commonwealth of Massachusetts. If your company is a foreign corporation, but is not registered to do business in Massachusetts, please provide the Certificate of Good Standing from your state of incorporation.

Please note that without the above certificate(s), the Town of Yourtown cannot execute your contract.

## IMPORTANT NOTICE

Requests for Certificates in Good Standing by mail may take a substantial amount of time. A certificate may be obtained immediately in person at the Secretary of State’s Office at the address above. Also, at this time, the Secretary of State’s Office may not have your current annual report recorded. If this is the case, and you are, therefore, unable to obtain the Certificate of Good Standing, please forward a copy of your annual report filing fee check with your signed contracts. Please forward your original Certificate of Good Standing to the Purchasing Department upon receipt.

**TOWN OF YOURTOWN  
SIGNATURE FORM**

NAME OF COMPANY: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

TELEPHONE #: \_\_\_\_\_ DATE: \_\_\_\_\_

SIGNATURE OF AUTHORIZED CONTRACTING OFFICIAL:

\_\_\_\_\_  
TITLE: \_\_\_\_\_

RESIDENCE: \_\_\_\_\_

IF COMPANY IS A PARTNERSHIP:

FULL NAME AND RESIDENCE OF EACH PARTNER:

\_\_\_\_\_  
\_\_\_\_\_

IF COMPANY IS A CORPORATION:

THE CORPORATE NAME IS: \_\_\_\_\_

THE CORPORATION IS ORGANIZED UNDER THE LAWS OF: \_\_\_\_\_

\_\_\_\_\_  
THE PRESIDENT IS: \_\_\_\_\_

THE TREASURER IS: \_\_\_\_\_

THE CLERK/SECRETARY IS: \_\_\_\_\_

NAME OF CORPORATION THAT WILL APPEAR ON A POTENTIAL CONTRACTUAL AGREEMENT IF DIFFERS FROM ABOVE: \_\_\_\_\_

NAME AND TITLE OF PERSON WHO WILL BE RESPONSIBLE FOR THE SIGNING OF A POTENTIAL CONTRACTUAL AGREEMENT IF DIFFERS FROM ABOVE:

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

NAME OF CLERK/SECRETARY WHO WILL ALSO BE SIGNING FOR A POTENTIAL CONTRACTUAL AGREEMENT IF DIFFERS FROM ABOVE:

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

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## **APPENDIX C**

### **Sample Banking Services Proposal Evaluation Form**

Attached is a sample proposal evaluation based on the RFP prepared by the Office of the Inspector General based on samples provided by the Massachusetts Collectors' and Treasurers' Association and municipal treasurers and procurement officials and presented in Appendix B. The attached sample proposal evaluation form is for ***informational purposes only*** and should only be used as a guide. The Office of the Inspector General makes no claims, promises, or guarantees about the accuracy, completeness, or adequacy of information contained in the sample proposal evaluation, which should not be used as a substitute for the advice of competent counsel.

**QUALITY REQUIREMENTS**

1. The banking institution has its headquarters and principal offices located in the Commonwealth of Massachusetts. Minimum requirement

**YES\_\_NO\_\_**

2. The banking institution is a member of the Federal Deposit Insurance Corporation (FDIC). Minimum Requirement

**YES\_\_NO\_\_**

3. Massachusetts General Law Chapter 44 Section 55 requires that the maximum percentage of Town deposits that a banking institution may hold in relation to their capital and surplus holdings is 60%. The Town's average monthly balance has been approximately \$X million. However, the balance can be as high as \$Y million during the course of a fiscal year. If the Town's average balance continued at these levels, does banking institution meet this requirement? Minimum requirement

**YES\_\_NO\_\_**

4. The Offeror has had four or more years experience providing banking services substantially similar to those described in Section VI, Scope of Services, to at least one municipality with an annual operating budget of \$XX,000,000 or greater.

**YES\_\_NO\_\_**

5. The banking institution is a member of the Automated Clearing House (ACH) and can accept direct deposit payments to the City from various sources and can process direct deposit of City payroll checks. Minimum Requirement

**YES\_\_NO\_\_**

6. The Town provides payroll direct deposit information via files transmitted electronically using file [transfer](#) protocols. The file language is ASCII. The Offeror is able to process information provided in this format.

**YES\_\_NO\_\_**

7. The Offeror can accommodate various [FTP in encryption mode for Security purposes](#) that the City may require in the transmission of financial data. Minimum Requirement

**YES\_\_NO\_\_**

8. The Offeror can accommodate both scan line using OCR, and/or Bar-coding in their Lockbox operation. Minimum requirement

**YES\_\_NO\_\_**

Proposer Name \_\_\_\_\_

RFP No. \_\_\_\_\_

9. The Offeror will credit the Town's deposit accounts with available funds according to the availability schedule established by the Federal Reserve. Minimum Requirement

YES\_\_ NO\_\_

10. The banking institution has a main or branch office located within the limits of Yourtown, or has the ability to arrange for payroll check cashing privileges for Yourtown employees at a location (bank) within the town boundaries, at no cost to the employees. Minimum Requirement

YES\_\_ NO\_\_

11. The Offeror can provide, at the Town's discretion, the following services (a more detailed description of each item is provided in Section VI):

YES	NO	
		A. Wire transfers, ACH collections, disbursements (including direct deposit of employee payroll checks).
		B. Automated reconciliation plan (ARP) for all disbursement accounts.
		C. Daily deposits, and armored car service to Treasury Office in City Hall and Traffic Department currently located at 100 Main Street, Yourtown.
		D. Daily account balance reporting, daily and monthly bank statements.
		E. Federal and State income tax withholding payments.
		F. General banking services such as: stop payments, coin processing, research and retrieval of cashed checks, canceled check storage.
		G. Check Imaging Capability and CD-ROM storage of Town's banking records
		H. Credit card payment processing for Traffic & Parking, and any other Town departments that, in the future, decide to accept credit cards.
		I. Coin processing for Parking Meter Collections and, infrequently, coin processing for other departments.
		J. Cash investments such as certificates of deposit, repurchase agreements, and high-yielding money market accounts.
		K. Ability, at the Town's request, to collateralize Town deposits and investments that are more than \$100,000.

Criterion	Highly Advantageous	Advantageous	Not Advantageous	Unacceptable
<b>Financial Strength of the Offeror</b>	Over 1.25% return on assets Over 10.0% return in equity Under 1.00% non-performing gross loans Green/3 stars Veribank rating	0.75% - 1.25% return on assets 7.5% - 10% return in equity 1.00% - 1.75% non-performing gross loans Green/2 stars Veribank rating	0.5% - 0.75% return on assets Below 7.5 return in equity 1.75% - 2.5% non-performing gross loans Yellow/2 stars Veribank rating	Less than .5% return on assets Negative return in equity Over 2.5% non-performing gross loans
<b>Community Responsiveness of Bank</b>	Community Reinvestment Act reports have a composite score of outstanding	Community Reinvestment Act reports have a composite score of satisfactory	Community Reinvestment Act reports have a composite score of needs improvement	Community Reinvestment Act reports have a composite score of not in compliance
<b>Management Capabilities</b>	The senior individual assigned to the account has over 10 years municipal banking experience	The senior individual assigned to the account has more than 7 and up to 10 years municipal banking experience	The senior individual assigned to the account has more than 4 and up to 7 years municipal banking experience	The senior individual assigned to the account has less than 4 years municipal banking experience
<b>Lockbox Location</b>	Both the Banking Institution's Lockbox operation and Disaster Recovery Lockbox facility are physically located in the Commonwealth of Massachusetts	The Banking Institution's Lockbox operation is physically located in the Commonwealth of Massachusetts; however, and its Disaster Recovery Lockbox facility is located elsewhere in New England	Both the Banking Institution's Lockbox operation and Disaster Recovery Lockbox facility are physically located outside the Commonwealth of Massachusetts; however, both are located in New England	Both the Banking Institution's Lockbox operation and its Disaster Recovery Lockbox facility are physically located outside the Commonwealth of Massachusetts and outside of New England
<b>References</b>	Three references, all with budgets of over \$XX,000,000	Three references, two with budgets over \$XX,000,000	Three references, only one of which has a budget of over \$XX,000,000	Three references, none of which have budgets over \$XX,000,000
<b>Desired Services</b>	The bank has the ability to report on account activity, place stop payments, and make investments, and wire funds to other institutions using secure internet connection	The bank can provide some, but not all, of the following: the ability to report on account activity, place stop payments, and make investments, and wire funds to other institutions using secure internet connection		The bank cannot perform any of the following: the ability to report on account activity, place stop payments, and make investments, and wire funds to other institutions using secure internet connection
<b>Composite Ranking</b>				



## **APPENDIX D**

### **Sample Investment Advisory Services RFP**

Attached is a sample RFP prepared by the Office of the Inspector General based on samples provided by the Massachusetts Collectors' and Treasurers' Association and municipal treasurers and procurement officials. The attached sample RFP is for ***informational purposes only*** and should only be used as a guide. The Office of the Inspector General makes no claims, promises, or guarantees about the accuracy, completeness, or adequacy of information contained in the sample RFP, which should not be used as a substitute for the advice of competent counsel.

**REQUEST FOR PROPOSAL  
INVESTMENT ADVISORY SERVICES  
TOWN OF YOURTOWN FINANCE DEPARTMENT  
YOURTOWN, MASSACHUSETTS 02XXX**

Sealed proposals will be received at the Office of the Purchasing Agent, Room 100 Town Hall, 1 Main Street, until 11:00 a.m. March XX, 2004 for the furnishing of the following to the Town of Yourtown Finance Department.

The Town of Yourtown is soliciting proposals for investment advisory services from qualified investment advisory professionals with demonstrable experience providing investment services to municipalities located within the Commonwealth of Massachusetts.

Copies of the Request For Proposal may be obtained from the Office of the Purchasing Agent on and after February XX, 2004 between the hours of 8:30 a.m. and 5:00 p.m. Electronic copies are available via e-mail.

The successful Offeror must be an Equal Opportunity Employer.

Questions concerning the RFP may be submitted in writing by 5:00 p.m. March XX, 2004 to Jane Q. Public, at the address above or by fax number (XXX) XXX-XXXX. Answers will be sent to all vendors who received an RFP through the Purchasing Office.

The Town of Yourtown reserves the right to reject any or all proposals, waive any informalities in the proposal process, or accept the proposal deemed to be in the best interest of the Town.

Seven sealed envelopes, five containing the non-price technical proposal marked "Proposal—Investment Advisory Services (Non-Price)," and two containing the price proposal marked "Price Proposal—Investment Advisory Services," must be received by Jane Q. Public, Purchasing Agent, Town of Yourtown, Room 100, Town Hall, 1 Main Street, Yourtown, MA 02XXX no later than **11 a.m. on MARCH XX, 2004.**

**Jane Q. Public**

**Purchasing Agent**

## **TOWN OF YOURYTOWN FINANCE DEPARTMENT**

### **Notice of Request For Proposal For Investment Advisory Services**

The Town of Yourtown (the Town) is soliciting proposals for investment advisory services from qualified firms with demonstrable experience with and knowledge of the investment municipal funds in the Commonwealth of Massachusetts.

Prospective Offerors must demonstrate the ability to provide the investment advisory services described in this document, must meet all quality requirements and must submit a completed proposal. The Offeror must be familiar with and able to comply with all Massachusetts state laws pertaining to the investment of municipal funds.

This proposal has been issued in conformance with the provisions of Massachusetts General Laws Chapter 30B. Proposers should familiarize themselves with the provisions of this Act.

### **KEY DATES FOR THIS PROPOSAL**

RFP Issued	February XX, 2004
Proposals due	11 a.m., March XX, 2004
Pre-bid Conference	2 p.m., February XX, 2004
Contract awarded	April XX, 2004 (Approximate)

### **TERMS AND CONDITIONS**

1. The Offeror's proposal will remain in effect for a period of 90 days from the deadline for submission of proposals or until it is formally withdrawn, a contract is executed or this RFP is canceled, whichever occurs first.
2. The contract will be for a period of three years.
3. The Town will have the option to cancel the contract provided that written notice is given 90 days prior to the effective termination date.
4. The Procurement Officer shall cancel the contract if funds are not appropriated or otherwise made available to support continuation of performance in any fiscal year succeeding the first year.

## **SECTION I. PURPOSE AND BACKGROUND**

The Town of Yourtown seeks to increase overall interest income through an investment strategy that maximizes yield, meets liquidity requirements, and adheres to Massachusetts state law and the Town's Investment Policy Statement. The Investment Advisor will advise the Town on its investment practices and provide the services described in Section VI, Scope of Services.

The Town of Yourtown, Massachusetts is located in Yourcounty. The Town's estimated population is X. The Town's annual budget is approximately \$X. The Town has a combined total of approximately \$X in its permanent trust fund, stabilization fund, parking fund, and health claims trust fund.

## SECTION II. INSTRUCTIONS TO PROPOSERS

1. Seven separate sealed envelopes, five containing the non-price technical proposal marked "Technical Proposal -Investment Advisory Services (Non-Price)," and two containing the price proposal marked "Price Proposal-Investment Advisory Services" must be received by Jane Q. Public, Purchasing Agent, Town of Yourtown, Town Hall prior to **11 a.m. March 11, 2004**. M.G.L. Chapter 30B requires that price proposals must be separate from technical proposals. Therefore, please make no reference to pricing in the non-price technical proposal. Failure to adhere to this requirement will result in disqualification. It is the sole responsibility of the Offeror to insure that the proposal arrives on time at the designated place.
2. The signature of the authorized official(s) must be provided on all the proposal forms.
3. All information in the Offeror's proposal should be organized and presented as directed in Section IV, Proposal Specification, and Preparation. Accuracy and completeness are essential. The successful proposal will be incorporated into a contract; therefore, Offerors should not make claims that they are not prepared to commit themselves to contractually.
4. The Price Summary Form must be completed. No substitute form will be accepted. Pricing must remain firm for the entire contract period.
5. Failure to answer any question, to complete any form or to provide the documentation required will be deemed non-responsive and result in automatic rejection of the bid unless the Town determines that such failure constitutes a minor informality, as defined in Chapter 30B.
6. All interpretations of the RFP and supplemental instructions will be in the form of written addenda to the RFP specifications. Requests for clarification or any questions about information contained in the RFP should be addressed in writing to Jane Q. Public, Purchasing Agent, Purchasing Department, 1 Main Street, Yourtown, MA 02XXX. Any information sent to one proposer will be available to all proposers. No requests or questions will be accepted after **5:00 P.M. on March X, 2004**. To receive the responses to any questions submitted by other Offerors, please send to Jane Q. Public the name, address, telephone number and fax number (if any) of the person to whom this information should be sent prior to March X, 2004.

### **SECTION III. EVALUATION OF THE PROPOSALS**

1. **Technical Proposal:** All proposals will be reviewed in accordance with M.G.L., c.30B by the Evaluation Committee, and final selection will be based upon an evaluation and analysis of the information and materials required under this RFP. The Selection Committee will be composed of staff from the Town's Finance Department, the Town Auditors Office and, if required, a representative of a public accounting firm. Proposals that meet the Quality Requirements will be reviewed for responses to the Comparative Evaluation Criteria. The Selection Committee will assign a rating of Highly Advantageous, Advantageous, Not Advantageous, and Not Acceptable to each Comparative Evaluation Criteria.
2. **Price Proposal:** The lowest price bid will be the one for which the total cost for the contract is the lowest. In accordance with M.G.L. c.30B, the contract award is not necessarily given to the lowest price bid.
3. **Interviews:** An interview may be conducted with each responsible and responsive Offeror that has been given a composite rating of Highly Advantageous or Advantageous. The project leader and other persons who would be directly involved with the Town must attend. The evaluation committee will judge each Offeror's ability to: (1) communicate effectively in the interview, (2) describe their approach to the scope of work, and (3) express their knowledge of Massachusetts state laws that regulate municipal investments.
4. **References:** References will be contacted to determine if the Offeror is responsive and responsible. References will be asked about their overall impression of the Offeror, quality of work performed, understanding of factors affecting municipal investments, and knowledge of Massachusetts state laws that regulate municipal investments.
5. **Award of Contract:** The Town will award a contract to only one responsive and responsible, eligible Offeror. The Town reserves the right to reject any and all proposals if it determines that it is in the best interest of the Town to do so.

## SECTION IV. PROPOSAL SPECIFICATION AND PREPARATION

All information in the proposal should be organized and presented as directed below. To expedite the evaluation of proposals, it is essential that the Offeror strictly adhere to the instructions in this part. A proposal may be deemed to be non-responsive, at the Evaluation Committee's discretion, if an Offeror fails to comply with the following instructions.

1. Introduction: The introductory portion of the proposal must include a Letter of Transmittal signed by an individual authorized to bind the Offeror contractually. The letter must include: the name of the individual(s) who is authorized to negotiate and sign a contract on the Offeror's behalf; the name, title, address and telephone number of the individual(s) who can supply additional information; and a brief description of the overall services proposed.
2. Quality Requirements Form: The Quality Requirements Form must be completed. YES or NO must be checked for each of the quality requirements. Please use the form provided in this document.
3. Description of Services: The proposal should provide a straightforward and concise description of the Offeror's commitment and ability to perform the investment advisory services described in Section VI, Scope of Services Specifications. *Please address each specification separately.* This section must include a detailed description of the services to be provided by the Offeror and of the proposed method and approach. This portion of the response will be evaluated as criterion 1 in Section VII, Comparative Evaluation Criteria.
4. Alternatives to Scope of Services: If the Offeror cannot provide a service as it is described in Section VI, Scope of Services Specifications, but believes it can offer equivalent or superior results by some other means, the Offeror must identify the mandatory specification, state that it is offering an alternative, and provide a description of the proposed alternative. The proposal should describe the alternative thoroughly and should clearly state how the alternative achieves equivalent or superior performance or results.
5. Responses to Comparative Evaluation Criteria: The Offeror should respond briefly to each item listed in Section VII Comparative Evaluation Criteria, and included all requested documentation. The purpose of information requested in this section is to assist the Town in making judgements about the Offeror's overall qualifications. Offerors should respond fully to the following criteria.
6. Standard Reports: Please include samples of the firm's reports. At minimum, the following should be provided:
  - a. Monthly Cash Flow Analysis
  - b. Monthly Investment Performance Report

7. Price Summary Forms: The Price Summary Forms for Years One, Two and Three must be completed. No substitute form will be accepted. Pricing must remain firm throughout the contract. The Price Summary Forms **must be submitted under separate cover to the Purchasing Department**. The Offeror should make no reference to pricing in parts one through four of the proposal. Failure to adhere to this will result in disqualification of proposal.



## SECTION V. QUALITY REQUIREMENTS

Please answer each of the following questions by circling either YES or NO. Failure to respond to every item or a "NO" response will result in the rejection of your bid.

1. The Offeror has had three or more years experience providing investment advisory services substantially similar to those described in Section VI, Scope of Services, to at least one municipality with an annual operating budget of \$X or greater.

YES NO

2. The Offeror has at least one municipal client located in the State of Massachusetts.

YES NO

## **SECTION VI. SCOPE OF SERVICES SPECIFICATIONS**

1. Investment Policy Statement:
  - a) Assist with the drafting of an Investment Policy Statement (IPS) for the Town of Yourtown. The Town will be responsible for finalizing the IPS and for adopting the IPS.
  
2. Cash Flow Analysis:
  - a) Provide a 12 month or fiscal year historic analysis of Town cash flow for all funds, including an analysis of the trend of receipts from all major sources and the trend of disbursements of payroll, vendor and debt service,
  - b) Update cash flow analysis on monthly basis,
  - c) Provide rolling 11 month projection of Town cash flow with one month actual (most current actual data with 11 month projection), and
  - d) Provide updated and projected cash flow statements to Town Finance Department.
  
3. Bank Account Analysis:
  - a) Analyze 12-month historic trends of balances within each major bank account (including MMDT accounts),
  - b) Provide on-going monitoring of same accounts at least on weekly basis, and
  - c) Provide trend analysis of data to Town Finance Department.
  
4. Market Analysis of all allowable/legal investments for the Town:
  - a) Provide monthly market analysis of all allowable/legal investments.
  
5. Investment Strategy:
  - a) Combine above data to appropriately advise Town on investment practices – within all limitations as outlined by Massachusetts state law and the Town’s Investment Policy Statement. Revise strategy as appropriate based on changes in cash flow, bank account analysis and market conditions.
  
6. Competitive bidding process for Town investments:
  - a) Appropriately bid investments to all financial institutions as directed by the Town,
  - b) Continually review & monitor financial institutions & recommend appropriate additions and/or deletions from process,
  - c) Provide all appropriate information for Town to complete investment transaction, and
  - d) Town will be responsible for actual consummation of investments. Investment Advisory will not be permitted nor authorized to move money on the Town’s behalf.

7. Provide documentation:
  - a) Provide monthly and quarterly investment portfolio report,
  - b) Provide monthly cash flow & bank account analysis, and
  - c) Provide Market Rate memo.
  
8. Quarterly Meetings:
  - a) Meet at least quarterly with Town Finance Department to review portfolio returns and investment strategy.

## SECTION VII. COMPARATIVE EVALUATION CRITERIA

The purpose of information requested in this section is to assist the Town in making judgements about the offeror's overall qualifications, including its technical abilities, and previous experience. Offerors should respond fully to the following criteria.

1. **Description of Services:** Please provide detailed description of the how the Offeror proposes to provide the investment advisory services described in Section VI, Scope of Services Specifications. *Please address each specification separately.* This section should included information regarding the Offeror's method and approach, benchmarks the Offeror will use to measure success, and any resources or information the Town will be required to provide.

A rating of *Highly Advantageous* rating will be given for a proposal that excels in addressing the scope of services requested in this RFP, and whose method and approach is proven, detailed, comprehensive and effectively presented.

A rating of *Advantageous* rating will be given for a proposal that fully addresses the scope of services requested in this RFP, and whose method and approach is detailed and comprehensive.

A rating of *Not Advantageous* will be given to a proposal that describes a mediocre response to the scope of services requested in this RFP, and whose method and approach is not detailed or comprehensive.

A rating of *Unacceptable* will be given for a proposal that fails to address the scope of services specified in this RFP.

2. **Prior Experience:** Please provide a narrative description of one prior experience with a municipal client for which the Offeror provided investment advisory services substantially similar to those described in Section VI, Scope of Services Specifications. This description should included information regarding the length of service, the nature of services provided, the Offeror's method and approach, benchmarks the Offeror used to measure success, and the overall achievements of the clients investment portfolio.

A rating of *Highly Advantageous* will be given for a proposal that describes a prior experience of 2 years or more with a municipal client with a budget greater than \$X for which the Offeror provided all of the investment advisory services requested in this RFP, and resulted in increased investment income.

A rating of *Advantageous* will be given for a proposal that describes a prior experience of more than one year with a municipal client with a budget greater than \$X for which the Offeror provided all of the investment advisory services requested in this RFP, and resulted in increased investment income.

A rating of *Not Advantageous* will be given to a proposal that describes a prior experience of one year or less than one year with a municipal client.

A rating of *Unacceptable* will be given for a proposal that does not describe a prior experience with a municipal government.

3. **References:** Please provide a list of three client references that may be contacted during the RFP process. At least one reference must be a municipality with an annual operating budget of \$X or more and at least one must be a municipality located in Massachusetts. Two of the references must be current clients for whom the Offeror is providing services similar to those outlined in the RFP. One reference should be a former client for whom the Offeror provided investment advisory services. Include the client name, contact person, his/her title, address, and telephone number.

A rating of *Highly Advantageous* will be given to an Offeror that provides three references for whom a “very successful” investment strategy was implemented. “Very successful” in this context means that the investment advisory services met the client’s expectations, the quality of the deliverables was very high, and the client was extremely satisfied with the business relationship between the Offeror and the client.

A rating of *Advantageous* will be given to an Offeror that provides three references for whom the Offeror’s services met client expectations, the quality of the deliverables was high, and the client was satisfied with the business relationship.

A rating of *Not Advantageous* will be given to an Offeror that provides any reference who describes the Offeror’s services or deliverables as mediocre, or who reports a poor business relationship with the Offeror.

A rating of *Unacceptable* will be given to an Offeror that fails to provide three references as required by this RFP.

4. **Personnel:** Please provide names and resumes of key personnel who will be working with the Town to provide the described services.

A rating of *Highly Advantageous* will be given to an Offeror that proposes project staff with extensive experience in the field of investment services, at least one of whom has at least 5 years of experience working with local governments in Massachusetts.

A rating of *Advantageous* will be given to an Offeror that proposes project staff with extensive experience in the field of investment services, at least one of whom has at least 3 years of experience working with local governments in Massachusetts.

A rating of *Not Acceptable* will be given to an Offeror that proposes project staff without extensive experience in the field of investment services or without at least one person has at least 3 years of experience working with local governments in Massachusetts.

**SECTION VIII. PRICE SUMMARY FORM**

Compensation will be a percent of increased interest that the Town earns in each quarter as a result of implementing this RFP. For funds already invested, the Town will use the quarterly average of the MMDT interest rate plus 20 basis points as the base rate. For funds that are not invested, the base rate will be 0. The “increase” in interest earnings will be considered to be interest income in excess of what the Town would have earned had it invested all of its funds at this rate during the quarter.

Please indicate the percentage charged by your firm for the services described in the RFP.

\_\_\_\_\_ %

Signature

\_\_\_\_\_  
Name and title of person signing proposal

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name of business

\_\_\_\_\_  
Address

\_\_\_\_\_

TOWN OF YOURTOWN  
REQUEST FOR PROPOSALS  
ANTI-COLLUSION/ TAX COMPLIANCE STATEMENT

The undersigned certifies under penalty of perjury that this proposal has been made and submitted in good faith and without collusion or fraud with any person. As used in this certification, "person" shall mean any natural person, business, partnership, corporation, union, committee, club or other organization, entity or group of individuals.

As required by M.G.L. Chapter 62C, Section 49A, the undersigned further certifies under penalty of perjury that the bidder has complied with all laws of the Commonwealth relating to taxes, reporting of employees and contractors, and withholding and remitting child support.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name and title of person signing proposal

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name of business

\_\_\_\_\_  
Address

\_\_\_\_\_  
**RETURN THIS FORM WITH YOUR PROPOSAL**