

NOTICE TO QUALIFIED FINANCIAL INSTITUTIONS

The Elizabethtown Area School District (EASD) is soliciting proposals for Financial Services from qualified financial institutions.

Submission deadline: 2:00 p.m. on the 17th day of April, 2019. Location for submission of proposals:

Elizabethtown Area School District
Attn: Jeff Ammerman, Business Manager
600 E. High Street
Elizabethtown, PA 17022

Project Notice:

NOTICE IS HEREBY GIVEN that the Elizabethtown Area School District, acting by and through its Governing Board, will receive up to, but not later than the above-stated time, sealed proposals for the award of a contract for the above referenced services.

The Elizabethtown Area School District reserves the right to reject any or all proposals or to waive any irregularities or informalities in any proposal. The District may also choose to award to multiple vendors if it is the District's best interest.

No proposal may be withdrawn for a period of ninety (90) days after the date set for the opening of proposals.

**ELIZABETHTOWN AREA SCHOOL DISTRICT
FINANCIAL SERVICES REQUEST FOR PROPOSAL**

I. RFP PROCESS AND FINANCIAL SERVICES OVERVIEW

A. Background and Objectives

The Elizabethtown Area School District is a local governmental unit created by the Commonwealth of Pennsylvania to provide education services to students living within its community. The objective of this request for proposal is to identify the financial institution that can offer the safest, highest quality service at the lowest cost to our organization. The District intends to maximize deposit availability and return on investments, and security, while minimizing cost and management time. The District is interested in obtaining the best mix of services to meet our specific financial needs.

An important aspect of this proposal is to obtain market rates of interest on all funds held in our accounts without risk of loss. The District requires that the financial institution comply with the District Investment Policy as now in effect and as amended from time to time. The District's Investment Policy is attached as Exhibit D. The District is both authorized and limited to the investment of excess funds by the Pennsylvania School Code. Also, the School Code allows the Board of School Directors to authorize the collateralization of our funds to be pooled with the collateral of other public bodies in accordance with Act 72 of 1971 and the United States Circular No. 92. The District expects that all funds in excess of the FDIC insurance level will be collateralized in accordance with Act 72, and further stipulates that the collateral consist of either full faith and credit obligations of the United States Government or AAA rated fixed rate obligations of agencies or instrumentalities of the United States Government. The District may consider investing in permissible investments under Act 10 of 2016, but those investments will comprise no more than ten percent of District funds.

The District further requires that the listing of its specified pooled collateral be marked to market daily and that a report of that collateral be provided to the District monthly. In addition, the market value of the collateral will be at least 102% of the amount of the applicable deposits in excess of the FDI limits. Preference will be given to those institutions that have the collateral held by, and be valued by, an independent third party. The intent of the District is to create and maintain a perfected collateral pledge as defined within the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended.

B. Length of Agreement

The District is interested in establishing a stable relationship with the awarded vendor. To do this, the District expects to appoint a financial institution as its primary financial institution for an original term of three (3) years starting on June 1, 2019 and ending on June 1, 2022 with an automatic option to renew for additional years. This 3-year term should be considered the term of your proposal and your fees should be based on this term.

Either party will be permitted to terminate the relationship or specific services at any time by written notice to the other party. However, as part of the appointment, you will be expected to

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sign a commitment to maintain fees for the term, subject to your right to terminate your primary bank relationship and cease providing the services for which the committed fees are charged.

C. Selection Criteria

The District will evaluate each proposal received based upon the following criteria:

- Creditworthiness
- Investment of funds
- Cost and flexibility of services
- Ability to provide services efficiently and effectively through automation
- Funds deposited and collateralized in accordance with all Federal, State and Local Laws, and in accordance with the further limitations in this request as they relate to collateralization requirements
- References from other governmental clients (specifically addressing customer service)
- Bank branch(s) proximity to District Office (All financial institutions submitting proposals for the local deposit services must detail how local banking services can be facilitated if they do not have a branch located within the District's border)
- Interest rate and/or earnings credit rate paid on all time deposit accounts
- Overall best value for the District as determined by the District

D. Terms and Conditions

Be aware that this is a request for professional services, and not a competitive bid. The District is not required to conduct its request for professional services in accordance with competitive bidding laws.

The terms and conditions of this proposal are that the District:

- Reserves the right to reject any or all proposals.
- Reserves the right to waive any irregularities or informalities and select the best proposal in the opinion of the District.
- The District is not required to select the vendor that scores the highest on the proposal rubric.

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E. Instructions for Submission of Applications

- Submission deadline: 2:00 p.m. of the 17th day of April, 2019. Location for submission of proposals:

Elizabethtown Area School District
Attn: Jeff Ammerman, Business Manager
600 E. High Street
Elizabethtown, PA 17022

A provider must submit an original and three (3) copies of the application in a sealed envelope, clearly marked “**EASD Financial Services RFP.**” Late applications will not be evaluated.

- Proposals must be signed by an official authorized to bind the contractor to the provisions of this RFP.
- The District will not accept faxed or electronic submission of proposals.

F. Directions for Completion of Application

All applicants must provide applicant information using the standard forms provided in Attachment A – Additional Information to be Provided, Attachment B – Fee Amount Proposals and Attachment E – Certification of Proposal Documents. A secondary packet of information should be submitted to support the information requested in Attachment C – Additional Information to be Provided.

II. SCOPE OF FINANCIAL SERVICES

This section describes the services the District intends to use as a customer. There are questions embedded in this section which are repeated in the proposal instructions.

Our objective in requesting services is to more effectively and efficiently operate our cash management system. The District uses services when it believes there is a beneficial cost/benefit relationship. Should you determine that additional services would be beneficial, please include these additional services in your response.

The services are organized based on the following categories:

- Collection Services
- Disbursement Services
- Investment Services
- Reporting

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This proposal does not include the entire scope of all accounts within the District and the District does not intend to work with only one financial institutions for all accounts.

The District prefers to have a local financial partner to accept daily deposits and transactions but understands that there may be limited options available for this. If a branch is not located within the border of the District, please detail in your submission how you would facilitate deposits of checks and cash including but not limited to remote check scanners and courier services.

A. Collection Services

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

Wire Transfers In:

The District uses wire transfers to receive funds from financial institutions for investment and other purposes. The District intends to consider these incoming wire transfers as available for use immediately. If necessary, adjustments will be made for any lost interest or charges resulting from a “fail” to consummate an incoming wire transaction.

ACH Deposits:

All deposits received via ACH should require no prior notification of the bank and should be available for use immediately.

Over the Counter Deposits:

The District provides various educational services for which cash and checks are received for payment. A staff member prepares and deposits these funds as needed. The District prefers to deliver the prepared deposits to the bank for processing but may require remote check scanners and/or pick-up via courier service.

The check-clearing time is vital in an effective cash management system. Uncollected funds are not available for immediate investment. Any check presented for deposit by 2:00 p.m. local time shall be available same-day and interest shall accrue concurrently. Any check presented for deposit after 2:00 p.m. local time shall be available next-day and interest shall accrue concurrently.

Please provide us with your check-clearing method and policy for checks that are drawn on other than local banks to identify the time it will take for the deposited funds to become collected and available for investment.

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Remote Deposit Services:

The District is interested in utilizing remote deposit scanners to process check deposits. Please provide a proposal for check scanners to be provided to the District business office, District high school, and the District's Tax Collection Office.

Lockbox Services:

The District currently has lockbox services in place. Please include details of lockbox services provided and include any fees on Attachment B.

B. Disbursement Services

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

Wire Transfers

Wire transfers are initiated by the District to transfer funds from our financial accounts to other financial institutions for investment and debt service purposes. Please detail your process for approving and verifying wire transfer requests.

Wire transfers ordered by noon and not received by the destination party by 2:00 p.m. on the same day will be traced from origin to destination to ascertain the party responsible for delaying the transfer.

If necessary, adjustments will be made for any lost interest or charges resulting from a "fail" to consummate an investment transaction.

Direct Debits

Direct debits are transacted in the general operating account by outside vendors for monthly federal and state withholding taxes, state retirement payments, and wage garnishments.

Automatic Clearing House (ACH) Payments

The District currently pays some accounts payable vendors via ACH. Information is submitted electronically to our financial institution for processing next day for files sent before 5:00 p.m. local time.

The District does currently process some payments to outside vendors through our accounts payable department that will accept this form of payment. Please provide recommendations on how the District can utilize this method further to reduce the number of paper checks being processed. Also include any rebates that may apply for processing payments via this method.

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Direct Deposit ACH

Institutions must be able to accept Text (.txt) or Comma Delimited (.csv) files; Standard ACH format, multiple file submissions on the same pay-date, and electronic transmission uploaded to your servers.

Please provide us with an explanation of your financial institution's capabilities and suggestions for specific implementation including delivery requirements and a realistic timetable. (See Attachment C – Additional Information to be Provided) Please also provide the steps and timeline of how a single or multiple direct deposit(s) can be withdrawn in the case of a mispayment or cancelled payment including timeline.

Sweep/Zero-Balance Account

In accordance with applicable laws, please provide a detailed description of your account structure including the basis for determining the amount of funds invested (i.e. reserve requirements, collected funds, etc.). (See Attachment C – Additional Information to be Provided)

Controlled Disbursement Account

The District does not presently have a controlled disbursement account. However, should this seem useful for your cash management system and increase our net interest earnings, the District will explore this possibility. Please include this service as a possible additional service to be considered in your response to Attachment C – Additional Information to be Provided.

Account Reconciliation Service

We are interested in establishing electronic file uploads to automate our bank reconciliation process. Please detail your process and format for sending electronic reconciliation documents. The information transmitted should include check number, amount, and date paid. It should be in a text (.txt) or comma delimited (.csv) file format that will be defined by the District.

Procurement Card Services

The District currently has procurement cards that it uses to pay vendors. Please provide details of your procurement card services along with a rebate schedule and fee structure for using these cards. Also provide any rebates that may apply to accounts payable transactions that can be paid through the payment network via a file upload to the bank.

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C. Investment Services

The effective and efficient management of cash on hand accelerates receipts of funds, delays disbursement of funds, and minimizes idle cash balances. A truly exceptional system will invest cash on hand at market rates with very little or no risk associated with the program.

Since financial institutions have many differing investment products, please provide us with your detailed suggestions relating to the investment vehicle you will provide us. These suggestions must include the following information:

- Provide the method used to fully collateralize our account balance in excess of FDIC. Should a repurchase agreement be considered, please explain the type of investment, which will be used in this buy/sell agreement. A separate repurchase agreement will be required for these types of transactions. Also, describe the safekeeping arrangement for the investments held relating to the repurchase agreement. Preference will be given to banks that require the collateral to be held and valued by third parties.
- Explain the calculation of the daily interest rate including the specific interest index and source of information (i.e. Wall Street Journal).
- Explain the calculation of interest earned on a monthly basis (i.e. 360-365 day basis, average daily balance, average monthly interest rate, calculated daily based on daily rate and daily balance).
- Provide description of the amount of cash balance on which the interest calculation is based such as collected funds and reserve amounts.
- Detail your participation in the CDARS investment program or another similar investment vehicle.
- Any additional information you deem necessary for the District to fully understand your suggested investment vehicle.

The District, by policy, is extremely conservative and averse to risk and is presented in Attachment D. However, a well-administered cash management system can provide market rates of return without exposure to risks.

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D. Reporting

The financial institution will, on a monthly basis, provide the District with a detailed statement of activity listing each transaction and ending daily bank balance in hard copy and online format for all accounts held. Also, a listing of the cleared checks in numerical order must be provided. This listing should include the check number, check clearing amount, and the date the check was cleared. This report must include a total of cleared checks for the month. Images of the cancelled checks must be made available to the District online or by request for up to 18 months of the cleared date. The District reports should be available by the third (3rd) business day of the following month. Please include in your proposal a description of the bank statement format.

The District requires daily access to bank transactions via the internet. This access must allow for the reporting of daily bank activity. Available information must include reporting on bank activity starting with the prior day activity and going back at least 18 months.

The District expects that all funds in excess of the FDIC insurance level will be collateralized in accordance with Act 72, and further limited to only federal securities. The District REQUIRES that the listing of pooled collateral is marked to market daily, preferably by an independent third party, and that a report of this collateral is provided to the District monthly.

III. BANK CREDIT EVALUATION

Although properly structured collateral offers the District very good insurance against financial institution credit problems, the District would be remiss in not evaluating the prospective bank's creditworthiness.

The District will utilize Standard and Poor's or Kroll ratings to evaluate your financial institution. Should your institution be rated unfavorably by these rating systems, the District will notify you of this fact and allow you to respond accordingly. Additionally, please include your audited financial statements for our review. (See Attachment C – Additional Information to be Provided)

IV. BANKING SERVICE FEES

Banking services can be paid for by one of two methods. The District requests that your proposal response include both the compensating balance and the direct charge methods.

Please provide the itemized cost and the annual costs for each service listed on Attachment B – Proposed Fee Schedule. Please provide us with your compensated balance calculations and

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your policies relating to the evaluation of this established balance. Detail separately the cost and description for any item not specifically listed on Attachment B.

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**ATTACHMENT A
APPLICANT CONTACT INFORMATION**

NAME OF BANK: _____

CONTACT PERSON: _____

STREET ADDRESS: _____

CITY/STATE/ZIP: _____

TELEPHONE NUMBER: _____

E-MAIL ADDRESS: _____

WEBSITE ADDRESS: _____

FAX NUMBER: _____

**ALL PROPOSALS MUST BE RECEIVED BY THE ELIZABETHTOWN AREA SCHOOL DISTRICT BY
2:00 P.M. OF THE 17TH DAY OF APRIL, 2019. Location for submission of proposals:**

Elizabethtown Area School District
Attn: Jeff Ammerman, Business Manager
600 E. High Street
Elizabethtown, PA 17022
jeffrey_ammerman@etownschoools.org

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**ATTACHMENT B
PROPOSED FEE SCHEDULE**

	Unit Cost	Annual Cost		Unit Cost	Annual Cost
CHECKING ACCOUNTS				ACCOUNT RECONCILIATION	
Checking Accounts				Charge Per Account	
Zero Balanced Accounts				Charge Per Item	
FDIC Insurance costs				Data Transmission	
Additional Charges:				Additional Charges:	
COLLECTION SYSTEM				DIRECT DEPOSIT PAYROLL	
Deposits				Monthly Maintenance	
Return Deposited items (NSF)				Charge Per File Transmitted	
Wire transfer In				Additional Charges:	
ACH Credits					
Deposit slips					
Deposit bags				SAFETY DEPOSIT BOX	
Additional Charges:				Safety Deposit Box	
DISBURSEMENT SYSTEM				LOCKBOX SERVICES	
Checks paid				Monthly Maintenance	
Stop Payments				Charge Per Item Processed	
Overdrafts				Check Photocopying	
Wire transfer Out				Data Transmission	
Cost of check stock				Keystroke Output	
ACH Items – Debits				Walk in bill payment	
Additional Charges:				Additional Charges:	
FRAUD PROTECTION				ELECTRONIC REPORTING	
Charge Per Account				Charge Per Account	
Charge Per Item Processed				Balance/Transaction Inquiry	
Charge Per File Transmitted				Other:	
Positive Pay Charge					

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**ATTACHMENT C
ADDITIONAL INFORMATION TO BE PROVIDED**

1. Please indicate any deviations from the conditions relating to banking services contained in Section II – Scope of Financial Services.
2. Provide the check clearing method and policy to identify the time deposited items become available for (a) investment and (b) disbursement.
3. Provide an explanation of your financial institution’s capabilities relating to transmitting direct deposit data along with suggestions for specific implementation including delivery requirements and realistic timetable.
4. Currently the District preauthorizes all direct deposit accounts before setting up direct deposit accounts. The District would like direction on whether the financial services partner recommends the continuation of this process and the fees related to this process.
5. Describe the structure of the zero-based sweep account, including the basis for determining the amount of funds invested and the method of properly collateralizing funds. Should repurchase agreements be utilized, describe the specific transaction and the recording of transaction.
6. Describe the delivery system for receiving reconciliation services and the associated fees.
7. Describe the financial institution’s electronic reporting capabilities to include: balance and transaction inquiry, transaction initiation (both intra-bank and ACH and fed wire system) and stop payment initiation. Include time of day information is made available and deadlines for transfers. Include list price for various services discussed.
8. Provide a detailed description of the investment vehicle utilized for both the collateralization and investment services. This must include the information requested elsewhere in this proposal.

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9. Credit criteria:

Please include copies of your last three (3) years audited financial statements. The successful financial institution is required to provide the District with subsequent annual audit reports as they become available.

Please include your ratings, if any, from all ratings agencies in effect now and during 2016, 2017, and 2018.

Each financial institution will submit with its proposal the following statistics based on information contained in the FFIEC Uniform Bank Performance Reports, or in similar reports for calendar years 2015, 2016, 2017, and 2018 (if available) and based upon Federal Reserve Bank definitions:

- a. Primary capital to total assets
- b. Equity growth to asset growth.
- c. Loan loss reserve to total loans
- d. Total relationships or accounts with deposits in amounts over \$1,000,000

The District will compare the ratios of submitting financial institutions vs. the average of their peers.

Each financial institution will disclose whether it has ever been under management supervision of the resolution trust corporation, FDIC, Federal Savings & Loan Insurance Corporation, Federal Home Loan Bank board, or other similar current or former Federal or State regulatory agencies.

Include the names, addresses and phone numbers of at least five current business clients, preferably School Districts and other governmental units as references.

10. Please provide a service fees summary

- | | |
|---|--------|
| (A) Check images provided online or as requested? | Yes/No |
| (B) Permit redeposit of NSF checks? | Yes/No |
| (C) Assess FDIC insurance cost? | Yes/No |
| (D) Assess 10% reserve requirement? | Yes/No |
| (E) Provide all check stock and deposit tickets free of cost? | Yes/No |
| (F) Provide night deposit bags and facilities free of cost? | Yes/No |
| (G) Safety deposit box services? | Yes/No |
| (H) Positive Pay services | Yes/No |

11. Using the service fees summary, prepare the calculation of the compensating balance. Also, provide your policies relating to the evaluation of this established balance.

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12. Explain the calculation of the earnings credit rate, and provide monthly earnings credit rate history for January 1, 2018 through December 31, 2018, and basis of rate. Please list the index by which the earnings credit rate will be benchmarked. (Example: federal funds rate plus 50 basis points, 90-day treasury rate plus 50 basis points)

13. Provide monthly history of interest rates applied to checking account balances for the period January 1, 2018 through December 31, 2018. If your financial institution uses sweep investment funds, provide monthly averages for the same period and indicate all fees assessed for investment sweep.

14. Describe your customer service philosophy, standards, and structure and how they will be provided to the District. Include the contact information for the dedicated customer service representative(s) for the District.

15. Describe any incentives offered by your financial institution to District employees for direct deposit pay, as well as any other services and / or benefits offered to the District under this proposal.

16. Provide copies of any bank policies that will apply to the District and copies of any agreements or documents you would require the District to sign as a part of concluding the banking services relationship.

17. Provide any other information you believe will be helpful to the District's decision.

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ATTACHMENT D

Section

600 Finances

Title

Investment of District Funds

Code

609

Status

Active

Legal

1. 24 P.S. 440.1

2. 24 P.S. 621

3. 24 P.S. 622

4. 24 P.S. 623

5. 53 P.S. 5406

6. 53 P.S. 5410.1

7. 24 P.S. 624

8. 72 P.S. 3836-1

9. 24 P.S. 521

10. 53 Pa. C.S.A. 2301 et seq

11. 24 P.S. 511

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12. Pol. 618

13. 72 P.S. 3836-1 et seq

14. Pol. 608

15. 17 CFR Part 270

16. 53 Pa. C.S.A. 8001 et seq

17. Pol. 619

18. 65 Pa. C.S.A. 1101 et seq

24 P.S. 218

15 U.S.C. 77a et seq

15 U.S.C. 80a-1 et seq

Governmental Accounting Standards Board, Statement No. 3
(amended by Statement 40)

Adopted

January 19, 2016

Last Revised

March 21, 2017

Purpose

It shall be the policy of the Board to optimize its return on funds available for investment through investment of cash balances in such a way as to minimize non-invested balances and to maximize return on investments consistent with the following principles:

Legality - All investments shall be made in accordance with applicable laws of Pennsylvania.

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Safety – Preservation of principal shall be of highest priority. Preservation of principal in the portfolio of investments shall be ensured by diversification and other means of minimizing credit risk, including avoidance of concentration of credit risk, market risk and interest rate risk, and by thoroughly investigating and reviewing the performance of all investment providers and professionals.

Liquidity - Investments shall remain sufficiently liquid to meet all operating requirements that are reasonably anticipated. A fiscal year operations anticipated cash flow shall be developed so that investments can be made as early as possible, with maturities consistent with anticipated cash demands.

Yield - Investments shall be made with the objective of attaining a market-average rate of return throughout the budgetary and economic cycles, taking into account investment risk constraints and liquidity needs.

Authority

The Investment Officer designated by the Board shall implement the school district's investment program in accordance with this policy, applicable laws and the annual investment plan approved by the Board. [\[1\]\[2\]\[3\]\[4\]\[5\]\[6\]\[7\]](#)

Definitions

Act 10 Permissible Investments – Any type of investment permitted under Act 10 of March 25, 2016, (53 P.S. Sec. 5406, 5410.1) that is **not** among the types of investments permitted under Section 440.1 of the Public School Code of 1949, Act of March 10, 1949, (P.L. 30, No. 14) as last amended by the Act of June 30, 1995, (P.L. 220, No. 26). [\[1\]\[5\]\[6\]](#)

School Code Permissible Investments – Any investment permitted under Section 440.1 of the Public School Code of 1949, Act of March 10, 1949, (P.L. 30, No. 14) as last amended by the Act of June 30, 1995, (P.L. 220, No. 26). [\[1\]](#)

Short-term – Any period thirteen (13) months or less.

Long-term – Any period exceeding forty-eight (48) months.

Mid-range – Any period between short-term and long-term.

Bankers' acceptances – Bankers' acceptances generally are created based on a letter of credit issued in a foreign trade transaction. Bankers' acceptances are short-term, non-interest-bearing notes sold at a discount and redeemed by the accepting banks at maturity for face value.

Collateral – Security pledged by a financial institution to a governmental entity for its deposit. [\[8\]](#)

Commercial paper – An unsecured promissory note issued primarily by corporations for a specific amount and maturing on a specific day. The maximum maturity for commercial

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paper is 270 days, but most is sold with maturities of up to thirty (30) days. Almost all commercial paper is rated as to credit risk by rating services.

Concentration of credit risk – The risk of loss attributed to the magnitude of a government's investment in a single issuer, pool, institution, or instrument.

Counterparty – Another party to a transaction. In the case of deposits and investments made by governmental entities, a counterparty could be the issuer of a security, a financial institution holding a deposit, a broker-dealer selling securities, or a third party holding securities or collateral.

Credit risk – The risk that a counterparty to an investment transaction will not fulfill its obligations. Overall credit risk can be associated with the issuer of a security, with a financial institution holding deposits, or with a party holding securities or collateral. Credit risk exposure can be affected by a concentration of deposits or investments in any one (1) investment type or with any one (1) counterparty.

Custodial credit risk – The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Foreign currency risk – The risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Investments depending on substantial overseas activities or markets may present related foreign currency risk.

Interest rate risk – The risk that changes in interest rates will adversely affect the fair value of an investment.

Issuer – The entity that has the authority to distribute a security or other investment. A bond issuer is the entity that is legally obligated to make principal and interest payments to bond holders. In the case of mutual funds, external investment pools, and other pooled investments, issuer refers to the entity invested in, not the investment company-manager or pool sponsor.

Investment plan – The school district's specifically enumerated investment strategy approved annually by the Board.

Local Government Investment Pool (LGIP) – An investment trust or pool organized by groups of political subdivisions or municipal authorities pursuant to Section 521 of the Public School Code of 1949, or pursuant to the Intergovernmental Cooperation Law, 53 Pa. C.S.A. Sec. 2301 et seq., for the purpose of investing funds of such political subdivisions or municipal authorities for their exclusive benefit and in accordance with the laws governing their permissible investments. LGIPs include, but are not limited to, the Pennsylvania School District Liquid Asset Fund (PSDLAF), the Pennsylvania Local

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Government Investment Trust (PLGIT), and for purposes of this policy, the PA INVEST program operated by the Pennsylvania Treasury Department. [\[10\]](#)[\[9\]](#)

Market risk – The risk that the market value of an investment, collateral protecting a deposit, or securities underlying a repurchase agreement will decline. Market risk is affected by the length to maturity of a security, the need to liquidate a security before maturity, the extent that collateral exceeds the amount invested, and the frequency at which the amount of collateral is adjusted for changing market values.

Repurchase agreement –

- a. An agreement in which a governmental entity (buyer-lender) transfers cash to a broker-dealer or financial institution (seller-borrower); the broker-dealer or financial institution transfers securities to the entity and promises to repay the cash plus interest in exchange for the same securities.
- b. A generic term for an agreement in which a governmental entity (buyer-lender) transfers cash to a broker-dealer or financial institution (seller-borrower); the broker-dealer or financial institution transfers securities to the entity and promises to repay the cash plus interest in exchange for the same securities (as in definition (a) above) or for different securities.

Weighted average maturity – A weighted average maturity measure expresses investment time horizons—the time when investments become due and payable—in years or months, weighted to reflect the dollar size of individual investments within an investment type.

Delegation of Responsibility

The Board shall designate an Investment Officer, who shall implement the school district's investment program in accordance with this policy, related procedures, applicable laws and the annual investment plan approved by the Board. [\[1\]](#)

The Investment Officer shall prepare, for approval of the Board, an annual investment plan for all general and segregated/designated funds of the district (i.e., general, capital reserve, bond, etc.), including bond proceeds, taking into account the anticipated liquidity needs of each fund.

The plan may provide for moneys from more than one (1) fund under school district control for the purchase of any single investment, provided that each of the funds combined for the purpose shall be accounted for separately in all respects and that the earnings from the investment are separately and individually computed and recorded, and credited to the accounts from which the investment was purchased.

The plan shall not encompass the investment of any student activity or class-related funds separately managed pursuant to School Code Section 511. [\[11\]](#)[\[12\]](#)

The annual investment plan shall be submitted to the Board for review and approval no later than sixty (60) days after adoption of the annual budget.

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The Investment Officer shall report quarterly to the Board the following: [\[1\]\[13\]](#)

1. Amount of funds invested.
2. Interest earned and received to date.
3. Types and amounts of each investment and the interest rate on each.
4. Names of the institutions where investments are placed.
5. The means by which any deposits exceeding insurance limits are collateralized.

This report may, but is not required to, include the information regarding depository balances, earnings and transactions required by the School Code to be reported to the Board monthly as set forth in Policy 608. [\[7\]\[14\]](#)

The Board directs the Superintendent and Investment Officer to develop, for approval by the Board as an appendix to this policy, specific due diligence and risk mitigation measures for:

1. Evaluating and mitigating the risks associated with each investment;
2. Investigating, selecting and evaluating the performance of investment advisors and investment professionals;
3. Specifying standards for audits of investment transactions; and
4. Determining the qualifications, training, standards and disclosures required for district employees performing functions relating to the district's investment program.

Guidelines

Investments permitted by this policy are those defined in law and enumerated in this policy that are appropriately collateralized in accordance with this policy and applicable laws. [\[1\]\[8\]](#)

School Code Permissible Investments

1. United States Treasury bills.
2. Short-term obligations of the United States Government or its agencies or instrumentalities.
3. Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC) or the National Credit Union Share Insurance Fund (NCUSIF) to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved

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collateral as provided by law therefore shall be pledged by the depository.

4. Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
5. Shares of an investment company registered under the Investment Company Act of 1940 (54 Stat. 789, 15 U.S.C. Sec. 80a-1 et seq.), whose shares are registered under the Securities Act of 1933 (48 Stat. 74, 15 U.S.C. Sec. 77a et seq.). Provided, that the following are met: [\[15\]](#)
 - a. The only investments of that company are in the authorized investments for school district funds listed in items 1 through 4 above and repurchase agreements fully collateralized by such investments.
 - b. The investment company is managed so as to maintain its shares at a constant net asset value in accordance with 17 CFR Sec. 270 2a-7 (relating to money market funds).
 - c. The investment company is rated in the highest category by a nationally recognized statistical rating organization.
6. Local Government Investment Pools (LGIPs) as defined in this policy.
7. Repurchase agreements with respect to U.S. Treasury bills or obligations, participations or other instruments of or guaranteed by the U.S. or any federal agency, instrumentality or U.S. government-sponsored enterprise.

Act 10 Permissible Investments

1. Obligations, participations or other instruments of any federal agency, instrumentality or U.S. government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent by at least two (2) nationally recognized statistical ratings organizations.
2. Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days, if the issuing corporation or business entity is rated in the top short-term category by at least two (2) nationally recognized statistical ratings organizations.
3. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity and the accepting bank is rated in the top short-term category by at least two (2) nationally recognized statistical ratings organizations.

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4. Shares of an investment company registered under the Investment Company Act of 1940 (54 Stat. 789, 15 U.S.C. Sec. 80a-1et seq.) whose shares are registered under the Securities Act of 1933 (48 Stat. 74, 15 U.S.C. Sec. 77a et seq.), if all of the following conditions are met:
 - a. The investments of the company are the authorized investments under 53 P.S. §5410.1, subsection (a) (Act 10, Section 1.1(a)).
 - b. The investment company is managed in accordance with 17 CFR Sec. 270.2a-7 (relating to money market funds).
 - c. The investment company is rated in the highest category by a nationally recognized rating agency.

[Legal Note: Investment options listed in Act 10 also include certain *negotiable certificates of deposit* satisfying specified conditions. This investment is omitted here, where it would otherwise appear in this policy, due to the collateralization requirements of School Code sections 440.1, 622 and 623, which Act 10 did not displace or supersede. Because negotiable certificates of deposit do not exist in the current investment market in a collateralized form that would satisfy School Code requirements, they are not an investment lawfully available to school districts at this time, notwithstanding Act 10. If in the future there has been corrective legislation, or a final judicial or other ruling having the force of law concluding that school districts may invest in uncollateralized negotiable certificates of deposit despite School Code collateral requirements, this policy will be updated to include such investments among Act 10 permissible investments.]

Management of Investments and Collateral

All securities or other investments in which the school district invests or that collateralize school district investments shall be managed as provided in this policy and in the school district's investment plan annually approved by the Board. [\[1\]](#)

The plan shall require that securities purchased as investments be purchased in the name of the school district and held in custody for the benefit of the school district as provided in the investment plan and authorized custodian agreements. The plan may make exceptions to such requirements for investments in LGIPs as defined in this policy, or for the purchase of shares of an investment company.

If, after purchase, the rating of any instrument is reduced and no longer in compliance with Board policy, the individual responsible for district investments shall advise the Board at the earliest opportunity of such action and make recommendations for altering investments.

The foregoing rating change related requirement(s) do(es) not apply to investments in LGIPs as defined in this policy.

For purposes of interest rate disclosure in the annual financial report, the method of determining interest rate risk shall be based on weighted average maturity.

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Foreign Currency and Related Risk

District funds shall not be invested in foreign currency. To the extent other permissible investments are exposed to related foreign currency risk, they shall be disclosed as required by GASB Statement 40.

Bond Proceeds

Investment of bond proceeds shall be managed and reported to the Board in accordance with the Local Government Unit Debt Act, this policy, and applicable federal and state laws. [\[16\]](#)

Protection of Savings Accounts, Time Deposits, Share Accounts or Other Depository Balances in Excess of FDIC Insurance Limits

When district cash is deposited in any savings account, time deposit, share account or other authorized depository account other than a Local Government Investment Pool (LGIP), if the cash balance exceeds FDIC insurance limits, district funds shall be collateralized in one or more of the following ways: [\[1\]\[13\]](#)

1. An Irrevocable Letter of Credit (LOC) issued by a Federal Home Loan Bank (FHLB).
2. Tri-Party Collateral in the name of the school district consisting of the following underlying securities only:
 - a. U.S. Treasury Securities.
 - b. Obligations, participations or other instruments of any federal agency, instrumentality or U.S. government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent by at least two (2) nationally recognized statistical ratings organizations.
3. Assets pledged as collateral in accordance with the act of August 6, 1971, (P.L. 281, No.72), 72 P.S. Sec. 3836-1 et seq. (relating to pledges of assets to secure deposits of public funds, whether or not pooled). [\[13\]](#)

It shall be the responsibility of the Investment Officer to verify with the depository the value of the collateral instrument(s) based on the instrument being "marked to market." This valuation shall occur at least monthly.

Following a review of valuation, the Investment Officer may request an additional review by the district's investment advisors or financial consultant, and shall require additional collateral if the existing collateral has declined in value and exposes the district to potential loss of principal. The status of the valuation review and any additional collateral shall be included in the periodic reports to the Board regarding the investment program.

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Reporting Requirement for Local Government Investment Pools (LGIPs)

Local Government Investment Pools (LGIPs) pool the resources of participating government entities and invest in various securities as permitted under state law, so that participating governments can benefit from economies of scale, professional fund management and other advantages.

Recognizing that LGIPs invest directly in permissible securities on behalf of the participating government entities, which in turn have proportional ownership rights in those securities, district investments in a LGIP shall not be subject to the collateral requirements of this policy, provided that the LGIP:

1. Makes available to participants daily and monthly statements, and other information from which the status of the investments can be verified; and
2. Provides an audited annual financial report to each participating government entity.

Further Risk Mitigation for Act 10 Permissible Investments

Recognizing that Act 10 of 2016 expanded the range of permissible investments to include investments with the potential to expose the school district to elevated levels of credit risk and other investment risks, the Board directs that any investment plan or investment recommendations proposed by the Investment Officer take into account, implement and highlight the following factors and precautions with respect to Act 10 Permissible Investments:

1. A significantly more thorough level of due diligence is required.
2. In addition to verification of rating by a nationally recognized statistical rating organization and other due diligence requirements, the investigation of Act 10 Permissible Investments shall include ensuring that there is an independent credit review (a qualified financial services organization with an active and recognized credit analysis team is also monitoring the issuer, in addition to the nationally recognized statistical rating organization(s)).
3. Act 10 Permissible Investments shall be limited to no more than ten percent (10%) of district funds available for investment, excluding bond proceeds and refunding escrow balances.

Audit

The Board directs that all investment records be subject to annual audit by the district's independent auditors.[17]

The audit shall include but not be limited to independent verification of amounts and records of all transactions, as deemed necessary by the independent auditors.

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Conflict of Interest Avoidance and Disclosure

The Investment Officer and any other district employee performing functions related to the investment program shall disclose in writing to the Board any material conflict of interest or material potential conflict of interest which exists because of personal relationships or personal business activity between the Investment Officer or other employees and any depository institution, broker, dealer, investment advisor, or other investment provider or professional serving the district. The Investment Officer or other employees shall refrain from any personal business activity that could impair ability to make impartial decisions in managing the annual investment plan.[\[18\]](#)

All depository institutions, repurchase agreement providers, brokers, and investment advisors and managers shall disclose in writing to the district: (1) any fees or other compensation paid to or received from a third party with respect to any district investment; and (2) any ownership of or by a parent corporation which owns any other depository institution, broker, dealer, investment advisor, or other investment provider or professional which does business with the district.

All investment advisors shall verify in writing that they have received and reviewed a copy of this Board policy and agree to comply with this policy and all applicable laws related to school district investments.

Legal

1. 24 P.S. 440.1

2. 24 P.S. 621

3. 24 P.S. 622

4. 24 P.S. 623

5. 53 P.S. 5406

6. 53 P.S. 5410.1

7. 24 P.S. 521

8. 72 P.S. 3836-1 et seq

9. 24 P.S. 624

10. Pol. 608

11. 53 Pa. C.S.A. 8001 et seq

12. Pol. 619

13. 65 Pa. C.S.A. 1101 et seq

24 P.S. 218

Governmental Accounting Standards Board, Statement No. 3 (amended by Statement 40)

Governmental Accounting Standards Board, Statement No. 40

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ATTACHMENT E - CERTIFICATION OF PROPOSAL DOCUMENTS

The provider certifies by signing this document that they:

1. Have carefully read and fully understand the information in the RFP.
2. Have the capability to successfully undertake the scope of work herein and complete the responsibilities and obligations of the proposal being submitted.
3. Represent that the information contained in the proposal is true and correct.
4. Did not in any way collude, conspire or agree, directly or indirectly, with any person, firm, corporation, review committee member, EASD employee or other proposer in regard to the amount, terms or conditions of this proposal.
5. Acknowledge that the EASD has the right to make any inquiry it deems appropriate to substantiate or supplement information supplied by the proposer.

Company Name _____

Signature _____

Printed Name _____

Title _____

Date _____