

**REQUEST FOR PROPOSAL
DEPOSITORY AND BANKING SERVICES
FOR THE CITY OF GARDNER, KANSAS**

Introduction:

The City of Gardner is requesting competitive proposals from qualified financial institutions to act as the City's primary depository of public funds. The objective of this proposal is to obtain a banking services agreement for a three-year period beginning July 1, 2004, with the option to extend the contract for two additional years.

The City encourages all prospective bank representatives to examine this Request for Proposal (RFP) carefully. Qualified banks are requested to submit proposals to provide services as defined in this RFP. Bank representatives responding to this RFP should note that the City wishes to maximize interest revenues while minimizing costs, fees, and service charges, and, generally, obtain the absolute lowest true cost of banking services to the City and the citizens the City represents. Although the City welcomes creativity and innovation regarding the methods bank representatives choose to arrive at the "lowest true cost of services," representatives must also note that security of underlying funds is the foremost consideration.

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

Objectives:

- To ensure that City funds are adequately collateralized at all times
- To take advantage of banking services and technology that increase the efficiency of City operations
- To obtain outstanding customer service
- To maximize interest earnings while minimizing expenses to arrive at the absolute lowest true cost of services

General:

All proposals will be formally opened in accordance with the City's purchasing policy. The proposals will then be evaluated. The proposal must be accurate and complete, providing all the information requested in this RFP; however, the City reserves the right to waive any minor or technical defects or irregularities. The City reserves the right to reject any or all bids.

All costs directly or indirectly related to the preparation of a response to this RFP shall be the responsibility of the bank.

Calendar of Events:

<i>May 19, 2004</i>	Request for Proposal issued
<i>June 2, 2004</i>	Pre-proposal conference. The City will hold a meeting in the Council Chambers at City Hall at 10:00 a.m. The purpose of the meeting is to answer questions relating to the RFP. Attendance is mandatory for both bank representatives and the person whom the bank intends to designate as the City's account liaison.
<i>June 9, 2004</i>	Sealed proposals must be received at City Hall by 10:00 a.m. Proposals shall be clearly marked "Bank Proposal" on the exterior of the package. Bid opening immediately following.
<i>June 9-16, 2004</i>	Review by banking services committee
<i>June 16, 2004</i>	Recommendation of banking services committee by staff to City Council
<i>June 21, 2004</i>	City Council designates "Official Depository" and approves contract
<i>July 1, 2004</i>	Effective date of opening new accounts and transfer of banking operations and funds

Effective period of the proposals:

All proposals must remain in effect for 90 days after the proposal due date.

Inquiries:

Additional information concerning this RFP may be obtained by contacting:

- Bryan Kidney, Finance Director
(913) 856-7535
bkidney@gardnerkansas.com
- Laura Gourley, Accounting Supervisor
(913) 856-7535
lgourley@gardnerkansas.com

Oral Presentations:

Selected financial institutions may be requested to provide oral presentations and participate in an interview with City staff.

Definitions and Statutory Provisions:

For purposes of this request for proposal, the terms "bank" and "financial institution" shall have the same meaning as the terms "bank," "savings and loan association," and "savings bank," as defined in K.S.A. 1997 Supp. 9-1408(a), (b) and (c), respectively.

The term "main office" means the place of business specified in the articles of association, certificate of authority or similar document, where the business of the institution is carried on and which is not a branch. K.S.A. 1997 Supp. 9-1408(f).

The term "branch" means any office, agency or other place of business within this state, other than the main office, at which deposits are received, checks paid or money lent with approval of the appropriate regulatory authorities. Branch does not include an automated teller machine, remote service unit or similar device. K.S.A. 1997 Supp. 9-1408(g).

As provided by K.S.A. 1997 Supp. 9-1408, if an acceptable bid is not received from a bank that has a main office within the state, the City may elect to designate a bank whose main office is outside the state as its depository.

Contract:

After a review of the proposals, and possible oral presentations and interviews, the City intends to enter into contract negotiations with the selected financial institution. These negotiations could include any aspect of services and fees. If a contract is not finalized in a reasonable period of time, the City will open negotiations with the next ranked firm. The bank designated by the City as its official depository shall be expected to execute a contract in substantially the same form as the sample contract submitted with the bank's proposal. The contents of this Request For Proposal and the proposal submitted by the successful respondent may become part of any contract. The contract must be in a form approved by the legal counsel of the City.

Evaluation Criteria:

A review committee will evaluate the proposals received. Although fees and compensation will be a vital factor in the evaluation of proposals, acceptance of a proposal will be based on the total package of services, qualifications, fees and compensation offered by the banking institution. The criteria to be used will include, but are not limited to, the following considerations:

- Completeness of the proposal
- Scope of proposed services
- Lowest true cost of services and effectiveness of services proposed
- Ability to provide a designated account liaison with whom the City can work to facilitate various banking issues
- Experience, expertise, and qualifications of the bank, the designated account liaison, and any other key personnel assigned to the City
- Relevant experience managing similar accounts and services with public sector and/or large commercial clients.
- Understanding of the needs and operational requirements of the City of Gardner

The proposal submitted will be the primary document upon which each bidder will be evaluated. All proposals will first be screened to determine if the Bank meets the minimum qualifications outlined in the

RFP. Proposals that do not meet the minimum requirements will be automatically rejected and may not undergo further evaluation.

Definition of Services:

Required Services - Services that must be provided by the selected financial institution. Except for non-substantial deviation or acceptable alternatives, all services listed in this section are mandatory. The City intends to maintain all specified banking services at one institution in order to maximize cash flow and minimize administrative costs. The City will not consider proposals for partial services.

Additional Services - Services not otherwise identified in this Request for Proposal that the bank may desire to offer to the City. Additional services may be offered to the City for free or at the cost specified by the bank. Proposals are not required to offer any additional services in order to be considered acceptable. However, final selection of the successful bank may be based on the desirability and price of additional services offered.

I. Banking Services:

A. General

The banking services detailed in this section will be performed for the City on a contractual basis for 3 years.

B. Accounts

Currently, the City maintains the following accounts:

Main account
Accounts Payable
Payroll

C. Account Structure

Again, the City desires to maximize its cash availability and revenue, minimize costs, and maintain the security of underlying funds. Therefore, with these goals in mind, bank representatives are encouraged to suggest a new, innovative account structure and banking process. Banking representatives are expected to bid their financial institution's services using their creative suggestions.

To assist with understanding the City's current situation and expectations in order to formulate a new and superior banking process, the current account structure is as follows:

The City has a Main account and two zero-balance accounts; one for Payroll and one for Accounts Payable.

All disbursements flow through the zero-balance accounts. All balances are maintained in the Main account. The Payroll and Accounts Payable accounts are reimbursed at the close

of the business day following the day the checks are presented for payment. These zero-balance accounts always have a zero balance at the beginning of each business day. The two zero-balance accounts are established as controlled disbursement accounts to manage check presentments.

Transfers from the main account to the zero-balance accounts are treated as transfers and not as items deposited and checks paid. All transfers take place automatically without initiation from the City.

1. *Main Account*

The purpose of this account is to concentrate the cash balances on a daily basis. This account has daily deposits and the ability to process electronic transactions such as wire transfers and ACH transactions. Incoming wire transfers include deposits of tax payments from the County and State, investment transactions, and others. Outgoing wire transfers include payment of debt service, as well as investment transactions.

Appropriate funds are transferred from the Main account to the Payroll account and the Accounts Payable account at the end of the business day to cover the amount of checks presented the previous day in each of the two accounts.

Currently, the City only requires the Main account to be an interest-bearing account.

2. *Payroll Account*

This account is used solely to process payroll disbursements to City employees. There are not any deposits to this account, except for the bank transfers to cover checks presented for payment, or, in the unlikely and unforeseeable event of an automated corrective deposit made by the City's payroll processing vendor (PayData).

This account handles direct deposit ACH debit transactions and employee payroll checks. These direct deposits are electronically transmitted to various financial institutions. The City's payroll provider (PayData) initiates the direct deposit (via ACH) of employee paychecks and the ACH payment of Federal and State taxes through this account.

3. *Accounts Payable*

This account is used solely to process disbursements for accounts payable. There are not any deposits to this account except for the bank transfers to cover checks presented for payment.

The City strongly desires on-line (modem or internet) access to information on its accounts. The information should include current month's activity for all transactions (deposits, checks cleared, other debits and credits, monthly bank statements, etc.). The City also desires the ability to process transactions on its accounts on-line (modem or internet) such as wire transfers; ACH initiations; stop payments on checks; etc.

The following services will be applicable to all accounts unless otherwise specified in individual account descriptions.

1. Because the City desires to maximize its interest revenues and encourages its financial institution to be innovative while maintaining the security of the City's funds, the process by which the financial institutions arrive at a rate of interest for the City's accounts shall not be mandated in this RFP. Instead, the rate of interest earned and the process and calculation to arrive at that rate shall be proposed by the financial institution, however, it must be specified – with an example – on Attachment A. A statement each month showing how the interest rate was calculated will be submitted with the statements for the City's accounts.
2. Charges for services and supplies provided by the bank will be invoiced and will not be directly deducted from the City's bank accounts. The financial institution will provide the City, within 20 working days after the end of a calendar month, a monthly account analysis for each account showing the number of the various types of transactions listed on Attachment A and the unit and total costs associated with each item. The City will consider the analysis an invoice, therefore it must provide a comprehensive, detailed recap of services performed. These costs will be fixed during the period of the contract. The banking institution may pass along costs which increase due to federally mandated regulations upon submitting written notice of such increase to the Finance Director and by demonstration of such mandate.
3. Research services, such as microfilming and other balance inquiries, will be performed at the request of the Finance Director or other City staff. Such charges for those services will be included in the monthly billing.
4. The statement date will be the last calendar day of the month, and statements for all accounts will be delivered to City Hall within five working days after the end of the month. Statements will include all items clearing the account. Additionally, the City desires access to the bank statements in electronic format.
5. The City transfers funds by wire to other banks. This service will be provided at the request (either by telephone or written notice) of the Finance Director, the Accounting Supervisor, or their designee. Money received by wire transfers are to be memo-posted to the City's account **immediately**.
6. On-line banking systems or software allowing the City to manage its accounts via computer is strongly preferred. Specify hardware, software requirements, as well as functionality and costs (Attachment A).
7. The City's funds will be 105% collateralized by securities that conform to K.S.A. 12-1675 and K.S.A. 9-1402, et seq. at all times. Collateral for the accounts will be held on a permanent basis by an independent, third-party financial institution approved by the City (preferably the Federal Reserve Bank). The banking institution agrees to check this on a daily basis, and provide increased security as needed. A monthly report of collateral pledged and its market value at that time shall be furnished to the City within ten days of the close of each month. Text of the above statutes can be found at <http://www.kslegislature.org/cgi-bin/statutes/index.cgi>.
8. The City may request other services not specifically mentioned in this document, with a reasonable, mutually agreeable fee to be charged by the institution.
9. The banking institution shall provide the following supplies as needed:
 - printed duplicate deposit slips
 - locked money bags

10. The banking institution will provide a safety deposit box for safekeeping of the City's investments, backup tapes, and other documents as needed.
11. The bank must be able to accept after-hours deposits. During the summer months (Memorial Day to Labor Day), the City's Parks and Recreation department will be using this service. Deposits will be dropped off each day. The bank will be responsible for verifying the deposit and returning the deposit receipts to the City.
12. Deposit discrepancies, should any occur, will be brought to the attention of the Finance Director or his designee on the same day the discrepancy is found.
13. Availability of funds will be as follows: 1) items on the depository institution, same day 2) items on local institutions, next day 3) other items in accordance with Federal Reserve availability schedule.
14. Investments will continue to be bid outside of this depository contract. The depository institution may bid on such investments provided they can properly secure the funds as required by law. The City reserves the right to purchase investments through other financial institutions if such action is to the benefit of the City.
15. Any cost of FDIC insurance (mandatory during the term of the contract) should be included in the overall cost of the contract. The proposal should include an itemization of any amounts charged for FDIC insurance premiums and an explanation of the method of calculating such charges.
16. The City will require stop payment issuance and confirmation upon receipt of written or "on-line" request. Unless renewed, each stop payment will remain in place for a minimum of six months.
17. Unless otherwise directed, the Bank will automatically redeposit return items a second time. Items returned a second time would be charged to the appropriate account and returned promptly to the City.
18. The bank must be a "sending" bank on the Automated Clearing House System.
19. City employees will be permitted to cash payroll checks at any of the bank's branches without charge, including those employees who do not maintain an account at the bank.
20. The City requires the bank to be able to provide automatic deductions from individuals' accounts for the payment of City utility services.

Additional Services:

Any additional services available to the City pertaining to E-commerce, or additional internet access related to banking services, should be provided in a supplemental attachment providing detailed information and costs, if any, for these services.

The bank may desire to offer the City additional services not otherwise specified in this Request for Proposal. In that event, a supplemental attachment should be included which describes the service in detail and indicates the cost, if any.

If the City develops a need for additional accounts or services, the accounts or services should be provided with the same conditions that apply to existing similar accounts or services at the time.

The City makes no guarantees regarding any account balances. However, for the purpose of providing information to facilitate understanding of the City's needs and the subsequent formulation of a new accounting structure and banking process, the low, high, and average daily balances per month are listed below for 2003.

GENERAL OPERATING ACCOUNT BALANCES BY MONTH (2003):

MONTH	AVG. FOR MONTH	HIGH FOR MONTH	LOW FOR MONTH
January	9,682,637	10,714,266	8,876,683
February	11,021,548	11,222,925	10,719,083
March	10,521,016	11,165,241	10,239,226
April	10,418,312	10,674,546	10,267,219
May	10,887,936	13,472,290	9,789,691
June	13,791,716	14,040,925	13,297,565
July	13,934,480	14,540,407	13,705,822
August	15,801,735	19,614,972	13,452,889
September	14,920,057	16,632,027	13,731,850
October	13,775,050	14,063,802	12,625,186
November	12,828,212	13,117,143	11,903,040
December	12,430,099	12,748,069	11,952,691

II. Electronic Credit Card Payment Services

Pertinent Information

The City will imminently be accepting MasterCard and Visa credit and debit cards. Negotiations are currently underway with the City's utility billing software vendor for a merchant bank service provider, however, no decision has been reached. If your institution provides such a service, please specify the cost to the City on either a fee amount or percentage basis for all costs associated with the use of the credit cards. Bank will be expected to provide Visa/Mastercard processing services for all City locations that accept credit cards. Provided below is information to help your financial institution to develop its proposal:

Annual transaction sales are estimated to be:

Utility services	\$ 10.5 million
Parks and Recreation	\$ 95,000

Average per sale transactions are estimated to be:

Utility services	\$ 192
Parks and Recreation	\$ 45

Annual number of transactions is estimated to be:

Utility services	54,585
Parks and Recreation	2,300

Note – because Park and recreation programs are seasonal and fluctuate widely, these numbers are estimates. Information regarding seasonal cycles is available upon request.

Because the City has yet to begin accepting credit cards, the number of terminals/printers required is not known. If this service is later required of the Bank, the assistance of bank personnel in determining the City's needs will be required. Please specify on Attachment A the anticipated costs of terminal/printers on a per unit basis, if possible.

III. Required Information in Proposal:

The following information must be furnished as part of the Proposal:

1. Assurance that the financial institution is insured by the FDIC.
2. Itemize and describe the financial institution's ability to provide the banking services described above, and to what extent, if any, those services are automated.
3. Assurance that the financial institution is audited by an independent CPA firm. Provide a copy of the most recent audit report.
4. A summary of any significant changes in management and/or ownership during the past five years.
5. Resumes or brief summaries of qualifications of key personnel to be assigned to the account.
6. A list of previous and current customers who had or have accounts which are similar in nature to those proposed herein, with particular attention given to public agency accounts. Please include phone numbers.
7. What security policies and procedures does the bank have in place to protect the City's assets? Provide details regarding the bank's services or products that will protect the City from fraud (e.g. forged checks, phone transfers, etc.).
8. Provide details regarding any electronic service options, including the charges for these services. Also provide a description of the bank's balance reporting system and its features and a statement

whether the system can be accessed through a PC modem or some arrangement using a secure connection via the internet.

9. List the location of your institution's main office and the locations of any branch offices in Johnson County. Provide the address of the office location that will service the City's accounts.
10. Does your bank provide a courier to pick up deposits from the City on a daily (M-F) basis? If so, please provide the costs associated with the courier service if any.
11. What is the ledger cutoff time for deposits?
12. Provide a list of the bank's holidays.
13. Completion of charges for banking services listed on Attachment A. Be sure to include an itemized list of any additional charges that would apply to these accounts that is not listed. Include a sample invoice for the City's account.
14. Using the City's 2003 balances shown on page 8, calculate the net revenue (interest revenue less bank fees/costs) the City would have received for 2003 based on the innovative accounting structure, banking process, and interest rates that you will be suggesting in this RFP. **Please provide an example** of how the interest, costs, etc., would have been calculated and credited using your suggestions. Be specific.
15. Describe how the bank will collateralize the City's deposits.
16. Describe the frequency and format of reports that you would provide to the City. What reports would be available in electronic format? Describe what format electronic reports would be in and how the City would receive these reports. Detail any costs associated with electronic reporting, including hardware and software. Provide sample reports and records.
17. What, if any, of your services can be accessed through the Internet?
18. Describe your financial institution's expertise in relation to Electronic Commerce.
19. Explain the financial institution's overdraft protection and list any charges.
20. Completion of all items not listed above that are included in Attachment A.

Compliance with all Government Laws

The bank shall remain informed of, and shall comply with, all applicable laws, ordinances, rules, regulations, and orders of the City, County, State, Federal, or any other public bodies, which apply to work performed under this proposal. The bank shall provide all necessary safeguards and protections as set forth by the United State Department of Labor, Occupational Safety, and Health Administration.

**ATTACHMENT A
CITY OF GARDNER BANKING SERVICES
CONSOLIDATED BID FORM**

The bank may submit the information below on these forms or on an attachment in a similar format.

<i>Bank Submitting</i>	
<i>Official Submitting Proposal</i>	
<i>Title</i>	
<i>Signature of Bank Official</i>	
<i>Phone Number</i>	

<i>Address of office servicing this account:</i>				
<i>Key personnel assigned to this account (please attach resumes):</i>				
<i>Who will be the City's primary contact at the bank:</i>				
<i>References:</i>	<i>Attach a list of customers who have accounts similar in nature to those proposed. Include customer name, phone numbers, contacts, length of time as your customer, and type of business.</i>			
<i>How will the bank collateralize the City's deposits?</i>				
<i>Is the bank able to provide collateral for the City's highest balances (approximately \$12 million)?:</i>				
<i>How is the bank chartered?:</i>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;"><u><i>Federal</i></u></td> <td style="text-align: center;"><u><i>State of Kansas</i></u></td> <td style="text-align: center;"><u><i>Both</i></u></td> </tr> </table>	<u><i>Federal</i></u>	<u><i>State of Kansas</i></u>	<u><i>Both</i></u>
<u><i>Federal</i></u>	<u><i>State of Kansas</i></u>	<u><i>Both</i></u>		

Automation: The City would prefer to have computer access to accounts for report retrieval and the initiation of certain transactions and services. Please describe, in an attachment, what system you have, if any, to provide for electronic banking, and any flat charges associated with the system.

Are the following services and reports available electronically?

Service/Report	Yes/No	Fee
<i>Wire Transfers</i>		
<i>Check Inquiry</i>		
<i>Stop Payments</i>		
<i>ACH Initiation</i>		
<i>Account Inquiries</i>		
<i>Monthly Bank Statements</i>		
<i>Prior Day Information:</i>		
<i>Closing Ledger</i>		
<i>Opening Available</i>		
<i>Closing Available</i>		
<i>Transaction Detail</i>		
<i>Total Credits</i>		
<i>Total Debits</i>		

In an attachment, detail the hardware and associated costs the City would need to perform electronic banking.

In an attachment, detail the software, if any, the City would need to purchase to perform electronic banking.

In order to assist with the formulation of your bid, the City has provided the estimated annual volume of items detailed below:

Fees and Charges:

Main Account

BANK DEPOSITORY SERVICES	ESTIMATED ANNUAL VOLUME	CHARGE PER ITEM	ANNUAL CHARGES
<i>Items Deposited</i>	70,512		
<i>Number of Deposits</i>	797		
<i>Returned Items</i>	168		
<i>Wire Transfers In</i>	10		
<i>Wire Transfers Out</i>	10		
<i>Bank Statement</i>	12		
<i>Deposit Slips</i>	797		
<i># of ACH Files</i>	65		

Accounts Payable Account

BANK DEPOSITORY SERVICES	ESTIMATED ANNUAL VOLUME	CHARGE PER ITEM	ANNUAL CHARGES
<i>Items Paid</i>	4338		
<i>Stop Payments</i>	8		
<i>Bank Statement</i>	12		

Payroll Account

BANK DEPOSITORY SERVICES	ESTIMATED ANNUAL VOLUME	CHARGE PER ITEM	ANNUAL CHARGES
<i>Items Paid</i>	3291		
<i>Stop Payments</i>	4		
<i>Bank Statement</i>	12		
<i>ACH Direct Deposits</i>	1512		
<i># of ACH Files</i>	108		
<i>Subtotal Bank Depository Services</i>			

On an attachment, itemize and describe any other fees that would be associated with these accounts.

CREDIT CARD PAYMENT SERVICES	ESTIMATED ANNUAL VOLUME	CHARGE PER ITEM	ANNUAL CHARGE
Sales volume	\$ 10.6 million	-----	-----
Number of transactions	56,885	-----	-----
<i>Transaction Fee</i>			
Discount Rate		%	
Transaction Fee			
<i>Other Fees</i>			
Statement Fees	12		
Maintenance fee on equipment (monthly)	12		
Authorization Fees	---		
Deposit Fees	---		
Adjustment Fees	---		
Chargeback Fees	---		
SUBTOTAL CREDIT CARD PAYMENT SERVICES	-----	-----	

TOTAL BID (BANK DEPOSITORY AND CREDIT CARD PAYMENT SERVICES)	-----	-----	
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ONE TIME EXPENSES	CHARGE PER ITEM
<i>Electronic Credit Payment Services</i>	
Point of Sale Terminal	
Printer	
<i>Banking Services</i>	
Locked Bags	
Endorsement Stamps - Self Inking	
Deposit Slips (two part)	