

CITY OF LEON VALLEY, TEXAS

APPLICATION

FOR

DEPOSITORY BANKING SERVICES

*October 1, 2008 to September 30, 2010
with an option to renew for each of the three (3)
subsequent fiscal years*

INTRODUCTION

Notice is hereby given in accordance with Chapter 105 of the Texas Local Government Code that the City of Leon Valley is accepting applications for performance of depository services for the City of Leon Valley.

Eligible institutions are hereby invited to submit sealed applications for a two (2) year City of Leon Valley Bank Depository Agreement with an option to renew for each of the three (3) subsequent years. The proposed agreement will begin on October 1, 2008 and terminate on September 30, 2010 if the City chooses not to renew. To be considered, the application must be completed, signed, placed in a sealed envelope and delivered to the Purchasing Agent at the address listed below no later than 2:00 p.m. Monday, April 1, 2008. Applications received after the deadline will not be considered.

The Name and address of the designated person of the City of Leon Valley who will receive the applications are:

Rhonda Hewitt, Purchasing Agent
City of Leon Valley
6400 El Verde Road
Leon Valley, Texas 78238
(210) 684-1391 ext. 222

Application forms and instructions are available from the same person.

The City Council will consider the selection of a depository in the City Council Chambers, 6400 El Verde Road, Leon Valley, Texas, on Tuesday, April 22, 2008 at the meeting of the City Council which begins at 7:00 p.m.

It is not City policy to contract on the basis of cost alone. Quality and suitability as to purpose are among the various additional factors considered by the City. The City reserves the right to reject any and/or all applications and to make awards on individual application items as they may appear advantageous to the City and to waive all formalities.

By submitting an application, the applicant agrees to enter into the attached agreements if selected as the depository for the City of Leon Valley, such agreements to reflect the information provided in the applicant's application. Bank's application shall be attached to, and become a part of, the agreement between the City of Leon Valley and the Bank.

Included for review is the Depository Agreement, Security Agreement, Supplemental Pledge Agreement, and Bank Certification Letter. These documents are only for review and are not to be returned with the application.

Questions should be directed to Vickie Wallace at (210) 684-1391 ext. 223.

APPLICATION TO SERVE AS DEPOSITORY

A. DEMAND ACCOUNTS

The City of Leon Valley currently maintains the following accounts:

Demand Account 2

The City requires, and the Bank agrees to provide, a monthly statement of all activity by account with deposits slips and canceled checks returned with the statement.

The Bank will maintain the City funds in interest bearing accounts, unless excluded by the City. Please indicate in the space below the interest rate and method of computing the interest for all accounts including, if applicable, any minimum balance requirements:

B. SERVICES AND FEES

The services to be made available include, but are not limited to the following. Please indicate the charge, if any, for each service:

- | | | |
|-----|----------------------------------|-------|
| 1. | Account Maintenance | _____ |
| 2. | Checks for each account | _____ |
| 3. | Deposits slips-duplicate | _____ |
| 4. | Cashier Checks | _____ |
| 5. | Draft Collection | _____ |
| 6. | Safety deposit Boxes | _____ |
| 7. | Plastic Bags with seals | _____ |
| 8. | Wire Service | _____ |
| 9. | Purchase T-Bills, Discount Notes | _____ |
| 10. | Courier Service | _____ |

Other services your bank provides and charges, if any, for these services:

The City does not intend to have a net overdraft position at any time throughout the course of the agreement. An overdraft is defined as negative demand balance in the City accounts collectively, not by individual account. Please indicate below the bank charge, if any, for overdrafts:

C. SHORT-TERM BORROWING

The City of Leon Valley has not needed to engage in short-term borrowing in past years. Should the need arise during the term of the contract, the bank must make available short-term borrowing to the City upon request. Please indicate the interest rate for these notes:

D. CERTIFICATES OF DEPOSITS

Subject to government regulations, please indicate below the interest rates which the bank will pay on single maturity Time Deposit or Certificate of Deposits during the term of the agreement. The City will not accept a cap on a floating rate.

CD's or Time Deposits less than \$100,000

<u>Maturity</u>	<u>Fixed Rate</u>	<u>Floating Rate</u>
14-29 days	_____	_____
30-59 days	_____	_____
60-89 days	_____	_____
90-119 days	_____	_____
120-149 days	_____	_____
150-179 days	_____	_____
180 days or more	_____	_____

CD's or Time Deposits of \$100,000 or more

<u>Maturity</u>	<u>Fixed Rate</u>	<u>Floating Rate</u>
14-29 days	_____	_____
30-59 days	_____	_____
60-89 days	_____	_____
90-119 days	_____	_____
120-149 days	_____	_____
150-179 days	_____	_____
180 or more	_____	_____

E. OTHER INVESTMENTS

It is the policy of the City of Leon Valley that excess funds shall be kept invested until required for payment of operating or maintenance expenses. If it is more beneficial for the City to invest directly in government securities, the bank will be allowed to match the yield of the government securities at the time of each investment decision.

In the event the City elects to invest directly in T-Bills, T-Notes, Repurchase Agreements, or any other permissible federal government securities, the bank must execute the order and effect the transaction. Should this alternative be selected, indicate below what charges, if any, would be made by the Bank:

If the City decides to use Repurchase Agreements, the City will, in most instances, use the following procedures: The Bank shall sell securities that are unconditionally and individually guaranteed as to the interest and principal by the U.S. Government, to the City on or before 2:30 p.m. on Friday and simultaneously, with the sale, shall agree to repurchase on or about 8:00 a.m. on the following Monday, the same securities at the same process as sold, with interest calculated on the invested amount. If a holiday falls on a Friday, the sale will occur on the preceding Thursday. If a holiday falls on Monday, repurchase will occur on the following Tuesday. The City will determine the amount for weekend investment Repurchase Agreements based on the bank balance at the time of investment. Repurchase transactions are to be recorded in the City account by debit or credit memo, with notification by telephone and with confirmation in writing mailed to the City.

Interest rates on Repurchase Agreements shall be based on an average of rates offered by two financial institutions in San Antonio specified by the City. Interest earnings resulting from each agreement shall be paid to the City on the day of repurchase by crediting the account from which the principal was charged. Please indicate below any Bank charges that are involved in handling Repurchase Agreement transactions:

This application is submitted for consideration and acceptance for the Bank Depository Agreement commencing October 1, 2008 and terminating on September 30, 2010 with an option to renew for each of the three (3) subsequent fiscal years. The successful applicant agrees to enter into the agreements in the attached form in accordance with the provisions set forth in Chapter 105 Local Government Code, or, the City shall proceed to the selection of another depository as provided in section 105.015 of the Texas Local Government Code.

Name of Bank: _____

Business Address: _____

Telephone: _____

Signed by: _____

Title: _____

Date: _____

Application Accepted by:

City of Leon Valley

Date

DEPOSITORY AGREEMENT

BETWEEN

CITY OF LEON VALLEY

AND

BANK

The City of Leon Valley (hereinafter called "Leon Valley"), having received applications to act as the depository for Leon Valley for the period of October 1, 2008 to September 30, 2010, with an option to renew for each of the three (3) subsequent fiscal years, and _____ (hereinafter called the "Bank") having submitted an application which was accepted by Leon Valley as the best and most acceptable application, agree as follows:

1. **Appointment of Depository and Term.** Leon Valley selects and appoints the Bank as the depository of all funds of Leon Valley for banking services for the period commencing October 1, 2008 to September 30, 2010, with an option to renew for each of the three (3) subsequent fiscal years, unless terminated prior to that date under Section 1 ("Term"). The Bank hereby accepts this appointment and agrees to act as a depository during this period in accordance with applicable statutes of the State of Texas and the terms of this agreement.

2. **Establishment of Accounts.** The Bank shall carry Leon Valley's funds in accounts to be opened by Leon Valley on October 1, 2008, or at the time the funds first become available for deposit therein. All accounts shall be carried in the name of "City of Leon Valley" with the addition of the designation of the funds or accounts thereunder in accordance with instructions of Leon Valley. Leon Valley shall not be required to maintain minimum balance in any account, unless Bank has indicated a minimum balance requirement in the attached application of Bank. The attached Application, found at Exhibit A, is made a part of this agreement.

3. **Interest on Accounts and Deposits.** Leon Valley funds shall earn interest as provided on the attached Application of Bank.

4. **Services and Fees.** Bank shall provide the services listed in the attached application, Leon Valley shall pay the charges for such services as indicated in the attached

Application. Bank agrees that all wire transfer services are to be executed within the restrictions and limitations prescribed by regulatory authorities at the time of the transaction. The Bank will ensure that wire transfers, investment transactions and all other electronically transmitted transactions are executed on the date Leon Valley instructs the Bank to execute the transfers and transactions.

5. **Short-Term Borrowing.** Bank agrees to make short-term (less than one year) notes available to Leon Valley upon request at the interest rate indicated in the attached Application.

6. **Security for Funds.** Prior to the initial pledge of securities under this Depository Agreement, the Bank agrees to (a) execute a Security Agreement-Pledge in the form attached as Exhibit B to this Agreement and any other ancillary agreements necessary to effect the pledge of securities to collateralize Leon Valley's deposits in such a form as is acceptable to Leon Valley; (b) deliver to Leon Valley a certified copy of excerpts from the minutes of meetings of the Loan Committee and/or Board of Directors of the Bank, properly authorizing the Bank to enter into the Security Agreement-Pledge, and to pledge assets of the Bank to secure deposits made by Leon Valley with the Bank; and deliver to Leon Valley certification in the form attached as Exhibit C, that this agreement, the Security Agreement-Pledge, and the authorization of the Board of Directors and the Loan Committee of the Bank has placed (and will be continuously maintained) in the official records of the Bank. Thereafter, Bank shall execute and deliver a Supplemental Pledge Agreement in the form attached as Attachment 1 to Exhibit B of this Agreement to evidence any additions or substitutions of collateral pledged to secure the deposits of Leon Valley, which shall also be placed and continuously maintained in the official records of the Bank. All of Leon Valley's funds, including funds invested in certificates of deposits of Bank, to the

extent the funds are not insured by the Federal Deposit Insurance Corporation or its successor federal government agency, must be secured as required by Chapter 2257 of the Texas Government Code, and in accordance with the terms of this agreement, as follows:

a. ***Type of Security to be Pledged.*** Securities eligible as security for public funds under the Texas Public Funds Collateral Act, are acceptable security under this agreement as otherwise provided in this section. Beneficial interests in securities may not be pledged. If the security is declining balance security, Bank, prior to pledging such security, shall deliver to Leon Valley a written opinion by Bank's counsel or certified public accountant as to the value of the security during the time it will be pledged. Municipal securities, or securities of other political subdivision of the State of Texas, pledged as security for City funds must be rated at least "A" by either Moody's or Standards & Poor's, or both. In addition to these requirements, all securities pledged as Collateral for Leon Valley's funds shall be subject to approval by Leon Valley's City Manager and City Accountant.

b. ***Amount of Security.*** The collateral pledged by the Bank as security hereunder shall at all times be of par value or market value (whichever is the lesser value equivalent to 102% of Leon Valley's deposits (including cash on hand and Certificates of Deposits), except that amount insured by the FDIC need not be secured.

c. ***Reports.*** The Bank shall, on a quarterly basis and at any other time requested by Leon Valley, provide a certificate including the (1) name of security; (2) type/description; (3) par value; (4) market value at the time of the report; and (5) maturity value.

d. ***Substitution and Withdraw of Security.*** The Bank shall have the right, from time to time, to make reasonable substitutions of such securities, if substituted securities meet the requirements of law and this agreement. Such substitutions may not be made until Leon Valley has received documentation to fully support substitution, has approved the substitution, and has executed the Supplemental Pledge Agreement above. The Bank shall have the right to

withdraw excess securities, if the amount and character of the remaining securities have been approved in writing by Leon Valley.

e. Leon Valley Approvals. All approvals relating to the collateral and its substitution or withdrawal may be obtained from the City Manager and City Accountant of Leon Valley unless further written notice is provided the Bank by Leon Valley, all documentation relating to the description of securities pledged as collateral, substitution of pledged securities, and withdrawal of excess securities will be submitted to the Leon Valley City Manager and City Accountant.

f. Escrow. The securities pledged hereunder by the Bank as collateral shall be deposited with the Federal Reserve Bank, San Antonio Branch, or with an independent state or national bank in Texas with no affiliation to the Bank ("Custodian") meeting the following requirements: 1) Custodian must be domiciled in Texas; 2) Custodian must be designated a state depository by the State Depository Board; 3) Custodian must have a capital stock and permanent surplus of not less than five million dollars; and 4) Custodian must be approved in writing by Leon valley. Bank agrees to provide a copy of this Agreement to the Custodian selected by Bank, and the Bank shall require the Custodian to agree to abide by terms of the Agreement. The securities pledged shall be deposited with Custodian in escrow in safekeeping account subject only to the instructions of Leon Valley acting by and through Leon Valley's City Manager. The Custodian, upon receipt of the securities, shall promptly issue and deliver to Leon Valley's City Manager trust receipts for the securities pledged. The securities must be held by the Custodian, and the Custodian may not transfer or deposit the securities in another institution. The Bank shall maintain separate, accurate and complete records relating to the pledged securities and all transactions relating to the pledged securities. Custodian shall maintain separate, accurate and complete records relating to the pledged securities and all transactions relating to the pledged

securities. Leon Valley representative and agents shall have the right to examine and audit at any time all pledged securities and all records maintained pursuant to this section.

g. *Sale of Securities Upon Default.* The securities shall be held by the Custodian in trust so long as the depository relationship between Leon Valley and the Bank exist and the deposit secured by the securities has not been fully paid to Leon Valley. If the Bank fails at any time to immediately pay and satisfy when due any deposit secured by the securities, or if Bank becomes insolvent or in any manner breach this Agreement, the Custodian, upon demand by Leon Valley, shall sell the securities and out of the proceeds of the sale shall pay Leon Valley any and all damages and losses incurred by Leon Valley on account of such failure, insolvency, breach, and/or sale, accounting to the Bank for the remainder, if any, of the proceeds of such sale. Any sale of the securities or any part thereof by the Custodian may either at public or private sale; provide, however, the Custodian shall give Leon Valley and the Bank notice of the time and place where the sale shall take place. The sale shall be to the highest bidder for cash. Leon Valley shall have the right to bid at the sale.

7. *Choice of Law and Venue.* This agreement shall be governed by and constructed in accordance with the laws of the State of Texas without regard to the conflict of law provisions of any jurisdiction. Leon Valley and Bank hereby consent and agree that venue of any action arising out of or in connection with the duties of the Bank, the Custodian or Leon Valley or any matter brought under or relating to this Agreement shall be in Bexar County, Texas.

8. *Indemnification.* Bank agrees to indemnify, hold harmless and defend Leon Valley, its officers, agents and employees, from and against any claims, losses, damages, causes of action suits, and liability of every kind, including expenses of litigation, court costs, and attorney's fees, for injury to any person, or damage to any property, arising out of or in connection with the

performance or failure to perform any services provided for hereunder by the Bank, or by anyone for whom Bank is legally responsible.

9. **Termination.** Either the Bank or Leon Valley may terminate this Agreement for convenience, provided at least 30 days written notice is given to the other party of such termination, and provided that, after such notice is given, this Agreement shall continue in effect until all deposits and interest therein have been paid out in full. In addition to any other remedy Leon Valley may have at law or in equity, if Bank breaches this Agreement in any manner or defaults on its obligation hereunder, Leon Valley may terminate immediately the Agreement and withdraw its funds by giving Bank written notice prior to such termination and withdrawal. Both Bank and Leon Valley agree that, among the other items which constitutes default under this Agreement, a failure to maintain adequate collateral is a default under, and material breach of, this Agreement. If funds are withdrawn by Leon Valley as a result of termination of the Agreement by the Bank for convenience, or termination of the Agreement by Leon Valley after a breach or default by Bank, there will be no penalty of any kind imposed on Leon Valley.

10. **Assignment, Amendment, and Binding Effect.** This Agreement may not be assigned to any other party in whole or in part without the prior written consent of both parties to the Agreement. This Agreement may not be modified or amended except by a written document signed by both parties to the Agreement. This Agreement shall be binding upon and inure to the benefit of the parties and their successors.

WITNESS the execution here of this the ___day of_____, 200__.

ATTEST:

City of Leon Valley

City Secretary

By _____
City Manager

ATTEST:

Bank Name

Bank Official

By _____
Bank Official

