



**PROCUREMENT  
AND MATERIALS  
MANAGEMENT**

**City of Myrtle Beach  
SOUTH CAROLINA**

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**Addendum #01**

**August 9, 2023**

**RFP 24-R0003**

**Banking Services**

The purpose of this Addendum #01 to RFP 24-R0003 for Banking Services, dated August 4, 2023, is to answer the following questions:

1. Please provide the volumes in which you would like us to use for the pricing proforma.

**Volumes are attached and are hereby made a part of this addendum.**

2. Please send the investment policy.

**The City's financial policies, which includes guidance on investments, are attached and are hereby made a part of this addendum.**

Additional questions are due no later than 10:00AM on Friday, August 18, 2023. Questions may be submitted via e-mail to [asowers@cityofmyrtlebeach.com](mailto:asowers@cityofmyrtlebeach.com). Official time of receipt will be marked by the time the e-mail is received, and not by the time that it is sent. E-mail messages can take up to ten (10) minutes or more to be delivered to the intended recipient. All questions received by the deadline will be answered via addendum.

Submit four (4) original paper copies with all required forms along with one (1) searchable electronic copy on a USB flash drive in Microsoft Word or PDF format in a sealed envelope no later than Tuesday, September 5, 2023 at 2:00PM (local time.) Late or electronic-only proposals will not be accepted. The City is not responsible for late or misdirected mail.

Thank you,  
City of Myrtle Beach  
Ann Sowers  
Procurement Manager  
Email: [asowers@cityofmyrtlebeach.com](mailto:asowers@cityofmyrtlebeach.com)

## City Of Myrtle Beach

### Balance Computation for Commercial Accounts

Average Collected Balance (Does not include repo account of \$60 million) 104,287,990.62

#### Service Charge Details

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Services Rendered in Period	Average Monthly Volume
Deposit Assessment per \$1,000	104,561
ACH Batches Processed	41
ACH Debits Originated	3,402
ACH Credits Originated	3,182
ACH Prenote Transactions	16
ACH Returns	5
ACH Notification of Change	1
ACH File Transmission	1
ACH Block/Filter Maintenance	1
ACH Filter per Exception	2
EDI Detail Report	1
Remote Deposit-Deposits Made	8
Remote Deposit-Items Deposited	845
Cash Deposited per \$1,000	348
Cash Order per \$1,000	6
Account Maintenance	6
Account Maintenance	22
Checks Paid	34
Checks Paid	1,722
Deposits Posted	9
Deposits Posted	416
ACH Debits Received	5
ACH Debits Received	196
ACH Credits Received	4
ACH Credits Received	2,195
Checks Deposited - OnUs	3
Checks Deposited - OnUs	87
Checks Deposited - Other	12
Checks Deposited - Other	2,563
Return Deposited Items	10
Stop Payments	15
Positive Pay Maintenance	3
Positive Pay Items Paid	1,243
Positive Pay Payee Match Items	63
Positive Pay Exception Items	8
ZBA - Master	14
ZBA - Sub Account	2
Lockbox Items Deposited	2,737
Lockbox Reject Items	3,084
Domestic Wire Outgoing-Online	10

**\*Last Twelve Month History\***

<b>MM/YY</b>	<b>Average Ledger Balance</b>	<b>Balance Supporting Services</b>	<b>Service Balance Required</b>	<b>Excess/ Deficit Balance</b>	<b>Earnings Credit</b>	<b>Analyzed Charges</b>	<b>Ttl Fees Due This Statement</b>
04/22	97,644,071	96,941,859	139,841,977	0	14,342	20,689	0
05/22	101,998,564	101,492,566	148,828,030	0	15,516	22,752	0
06/22	108,170,109	107,930,918	162,021,269	0	15,968	23,970	0
07/22	106,308,456	105,935,702	105,412,377	523,325	22,493	22,382	0
08/22	115,822,832	114,797,060	117,127,087	0	24,375	24,869	0
09/22	114,694,603	114,424,356	114,352,310	72,046	23,512	23,497	0
10/22	112,808,131	112,390,788	92,463,762	19,927,026	28,637	23,559	0
11/22	98,042,171	97,373,420	73,234,573	24,138,847	28,012	21,067	0
12/22	93,340,463	93,224,945	65,144,393	28,080,552	27,712	19,365	0
01/23	109,111,891	108,611,889	78,927,701	29,684,188	32,286	23,462	0
02/23	113,694,844	113,004,822	85,577,863	27,426,959	30,341	22,977	0
03/23	104,561,083	104,287,991	76,976,650	27,311,341	31,001	22,882	0
YTD	109,122,606	108,634,901	80,494,071	28,140,829	93,628	69,321	0
Lst12	106,349,768	105,868,026	104,992,333	13,097,024	294,193	271,473	0



# Financial Policies

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## Elements of Financial Planning in the City of Myrtle Beach

The elements of the City's Financial Planning Model revolve around four key objectives designed to ensure the fiscal health of the City and an ability to sustain operations under varying economic circumstances. Those objectives include maintaining a balanced mix of available resources, annually preparing a balanced budget, ensuring adequate liquidity to meet obligations and retaining access to capital markets.

### **A Balanced Mix of Available Resources**

Budget utilizing a balanced mix of revenues that will ensure reasonable stability for operation at continuous service levels through economic cycles, but will provide the economic sensitivity suitable for responding to increased service demand in a rapid-growth environment.

Evaluate the characteristics of major revenue resources and apply them to the types of expenditures for which they are best suited, e.g., recurring revenues for operating expenditures, one-time revenues for capital investment, volatile revenues for expenditures that can be adjusted based on economic influences.

### **Balanced Budget with Competitive Rate Structures**

Maintain operating expenditures within the City's ability to raise revenues while keeping tax and rate structures competitive.

Maintain strong prospects of structural balance over the long term.

### **Adequate Liquidity to Retire Operating Obligations**

Ensure continuity of service without the use of interim borrowing.

### **Access to Capital Markets**

Maintain fiscal policies and reserves that will maintain the City's credit worthiness and allow for access to adequate capital financing sources and low costs of borrowing.

Beyond fiscal policies, monitor the changing environment of the expectations of credit rating agencies as dictated by the banking industry and ultimately purchasers of municipal debt instruments, e.g., climate change mitigation factors and other Environmental, Social and Governance (ESG) initiatives.

The policies on the following pages are consistent with the objectives stated above. While policies are long-standing in nature, they are reviewed and evaluated as to their appropriateness at the beginning of each annual budget process. Policies are intended to guide the organization in observing best practices of prudent financial management. Their function is to facilitate—not to hamstring—the operation of City government. To that end, it is expected that the City will exercise a certain amount of flexibility where necessary in order to keep a balance between best financial practices and optimum service delivery.

## **Balanced Budget**

The South Carolina Constitution and Code of Laws require that local governments adopt balanced budgets.

A balanced budget provides for sufficient revenues and other financing sources to offset expenditures authorized for a fiscal period. The resources used to balance the budget may include judicious use of fund balance and may include the use of long-term debt for financing capital projects.

The City adopts balanced budgets for each year and attempts to maintain structural balance between revenues and expenditures in each operating fund over the long term.

## **Long Term Financial Planning**

The Financial Management & Reporting Department maintains and annually updates financial plans with a five-year planning horizon.

Five-year plans for operating funds incorporate the effects of absorbing the operating costs of capital projects in the Capital Improvements Program, the Debt Management Plan, and Comprehensive Plan implementation.

Long-term plans help to ensure structural balance of financing sources and uses by allowing the evaluation of long-term impacts of current decisions. Where structural deficits are found, the plans provide recommendations for corrective actions to restore structural balance in a timely fashion.

## **Revenues and Expenditures**

The City utilizes formal historic trend analysis to establish baseline estimates of major revenues and expenditures. The Financial Management & Reporting Department updates both mathematical specifications of trends and their resulting long-term projections each year.

Updates are formed by study of economic projections from trusted regional and national professional organizations. This information helps to identify trends in independent variables in the deterministic models of City revenues and expenditures and to anticipate the likelihood and direction of short-term deviations from long-term trends.

Revenue estimates are formulated so as to assume reasonable risk, but avoid overly optimistic projections.

The City maintains operating expenditures within its ability to raise revenues. Annually recurring revenues must equal or exceed annually recurring expenditures.

The City utilizes a mix of operating revenues characterized by the use of some sources that offer reasonable stability to support operation at continuous service levels, others that provide the elasticity necessary for responding quickly to the challenges of a rapid growth environment, and limited economically vulnerable sources to support tourism driven operational costs. Toward that end, the City will:

- use more economically sensitive revenues, such as business license fees, in the General Fund to allow more timely response to increased service demands during high-growth periods, and to ease the immediate burden on the ad valorem tax rate;

- stabilize the revenue base for payment of debt service and capital leases by utilizing a portion of the property tax levy for this purpose;

- avoid the use of non-recurring revenues to fund operations, using them instead to accumulate reserves or to fund capital improvements;

- use more volatile sources (such as tourism taxes) to fund tourism driven service costs and pay-as-you-go capital outlay and improvements.

## **Capital Improvements**

The capital improvements program will not fund all community needs, but will fund high priority community growth projects in a variety of program areas.

Existing infrastructure will be maintained and replaced as needed. The City will maintain or increase the use of pay-as-you-go funding, and will avoid the use of long-term debt for lone small projects (generally those under \$250,000) or those with a useful life of less than 20 years.

Proceeds of new funding sources for the capital improvements program will be used for capital acquisition or to establish reserves for the renewal and replacement of existing capital assets.

The first year of the five-year CIP will be the basis of formal fiscal year appropriations during the annual budget process. While the only year formally appropriated and incorporated in the adopted budget will be the first year of the plan, the full five-year plan will be adopted by Resolution as a companion to the Budget Ordinance annually. Acknowledging the plan by Resolution provides transparency to constituents, provides a planning tool for the future, and demonstrates responsible planning for both infrastructure maintenance and future infrastructure needs to credit rating agencies.

Regular project monitoring and reporting will be performed by the Financial Management and Reporting Department and quarterly meetings will be held with all project managers participating on active projects to periodically review progress, identify issues, provide progress reports, and coordinate new project resolutions

and ordinances with the Department of Financial Management & Reporting during the year. Quarterly Capital Improvement Project updates will be presented to Council during a regularly scheduled Council workshop in the month after the close of each quarter.

## **Contingencies and Strategies to Manage Certain Volatile Expenditures**

In formulating the annual budget, the City appropriates contingency accounts in major operating funds of at least one and one-half per cent (1.5%) of annual operating revenues.

A disaster recovery reserve is maintained in the Self-Insurance Fund to provide additional cash flow in disaster response situations pending the receipt of FEMA assistance. When reimbursements are received into the City treasury, they are used to replenish the reserve.

The City maintains a sinking fund for the timely replacement of rolling stock with a value exceeding \$10,000. It is funded by annual lease payments from the users. Additions to the fleet are acquired with an initial capital outlay from grants or fund equities of the appropriate funds.

## **Budget Amendments and Updates**

Budget-to-actual reports are provided monthly. The Financial Management & Reporting Department completes budget reviews and re-projections quarterly and includes recommendations for corrective action as necessary. Budget amendments are processed as necessary, but are considered no less frequently than quarterly.

## **Cash Management Strategy, General Fund**

### **Moderate Working Capital Policy**

Because cash inflows and outflows are asynchronous in governmental funds, the cash positions in those funds can vary widely over the fiscal year. Conservative working capital policy would require the City to keep larger fund balances in order to avoid cash deficits at any time, thus requiring higher tax and fee rates. The opposite extreme would make liberal use of interim borrowing for ongoing operations, likewise requiring higher taxes and fees to support interest payments. The City's policy is to seek a reasonable balance by controlling projected cash deficits to levels that are manageable within limited interfund loan guidelines.

The City regularly evaluates the need and the availability of sufficient working capital to finance operations without interruption and without having to resort to short-term borrowing for operations.

Working capital recommendations take into account the city's particular risk characteristics and are based upon an inventory model to plan for adequate inventories of unrestricted cash throughout the year.

Recommended working capital levels are set based upon projections of cash flow patterns, which are well synchronized in some funds—especially enterprise funds—but asynchronous in most governmental funds. In the General Fund, the recommended level is normally about 20% of recurring expenditures based upon the City's historical cash flows and the asynchronous nature of cash inflows and outflows. The City should retain sufficient working capital to provide some cushion against possible interruption of cash inflows in the event of a natural disaster.

The City will not issue revenue or tax anticipation notes. To avoid such interim borrowing, the City will:

- maintain unreserved and undesignated fund balances in governmental funds which are sufficient to avoid interim borrowing or service interruptions under normal operating conditions. The target range in the General Fund is between 15% and 20% of recurring expenditures.

- maintain current ratios of at least 2:1 in each City enterprise fund. (The current ratio is the ratio of unrestricted current assets to current liabilities other than the current liability for servicing long-term debt.)

Generally, fund balances are allowed to accumulate for designated purposes or for the retention of sufficient working capital to retire routine operating obligations, given the expected cash flows of those funds. Excess

fund balance amounts (in excess of the 30% threshold) in the General Fund may be appropriated for non-recurring expenditures such as capital acquisitions or capital improvements.

Myrtle Beach invests excess cash in short-term treasuries, fully collateralized certificates of deposit and repurchase agreements, and the South Carolina Local Government Investment Pool administered by the State Treasurer’s Office. For periods when the demand for cash exceeds receipts from revenues and other financing sources, these investments are partially liquidated in order to meet current financial obligations. Interfund loans from pooled cash and investments are occasionally used to offset temporary cash shortages in individual funds during the fiscal year. Interfund loans of this type must be satisfied within one year’s time. The Cash Management Strategy Graph in the following section illustrates this policy.

**Interfund Transfers**

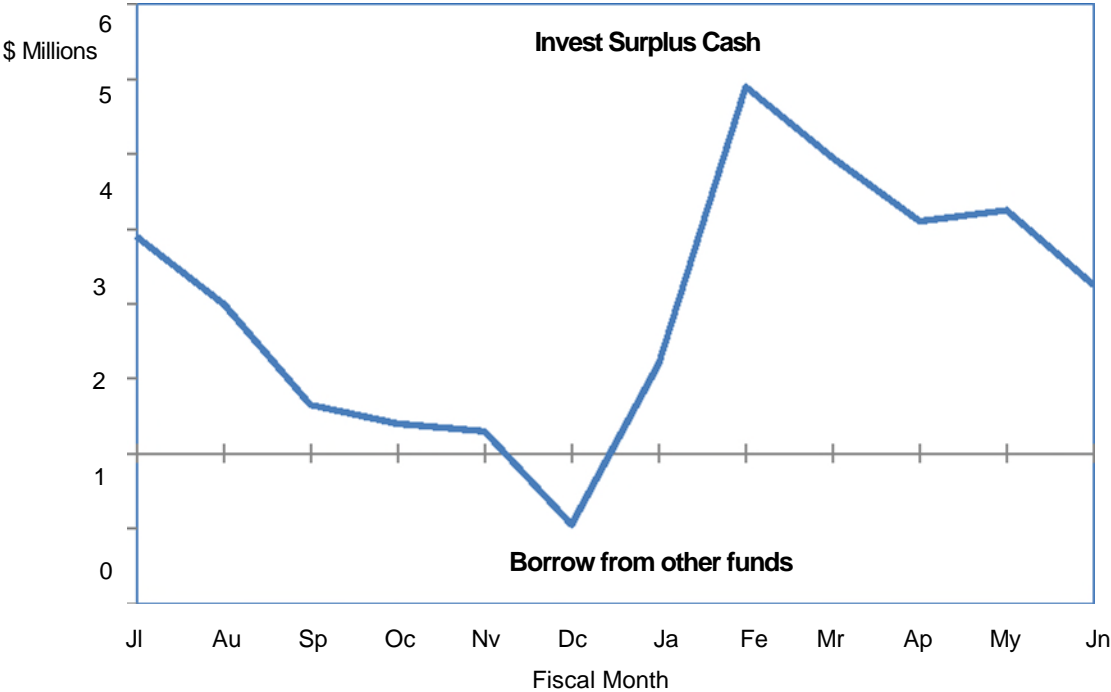
The City does not use interfund transfers from enterprise or special revenue funds to subsidize the costs of City services provided by the General Fund, except where certain special revenues are legislatively allowed for specific General Fund services.

Interfund Transfers are allowed for direct or indirect cost allocation for services rendered by administrative and support service departments to enterprise or special revenue funds.

Interfund Borrowing during the year is allowed in a manner compliant with the Moderate Working Capital policy described above, where the interfund borrowing is not prohibited by legal or contractual provisions. It is anticipated that any fund may have a balance “due to” other funds on its balance sheet some time during the year. However, interfund borrowing is an interim arrangement and interfund loans normally should not have a life beyond 90-180 days.

Interfund Borrowing that cannot be repaid in such a timely manner may be indicative of a structural imbalance in the borrowing fund. If that is the case, the Financial Management & Reporting Department will provide the Manager with recommendations for correcting the imbalance.

An enterprise or special revenue fund may be required to make payments in lieu of taxes to the General Fund, provided that the enterprise or special revenue program charges its regular rates for any service provided to General Fund departments that are accounted for in the General Fund.



## **Capital Formation and Debt Management**

### **Capital Formation**

Funding dedicated to General Capital Improvements on a pay-as-you-go basis includes all non-current ad valorem taxes, one-time revenues and highly volatile revenues, a share of the accommodations tax for beach monitoring, and a share of the hospitality fee.

Enterprise fund impact fees are used for expansion and improvement of the distribution system. Other improvements to municipal enterprises are funded from fund equity, system revenues, or debt secured by a pledge of the enterprise's revenues.

To the extent that the unreserved general fund balance exceeds amounts needed for working capital, the City may draw upon that balance to provide pay-as-you-go financing for (a) capital outlay to support service delivery, and (b) general capital improvements.

### **Debt Management**

The City issues debt only to finance capital improvements for which the project's useful life is expected to equal or exceed the term of the debt issue.

The City seeks to maintain investment grade credit ratings by managing the timing of debt issuances so as to sustain moderate debt ratios and ensure the affordability of debt before preparing an issue for market.

The Debt Management Plan will provide for the issuance of new debt at reasonable time intervals in order to avoid erratic impacts upon the ad valorem tax rate, storm water rates, or water and sewer utility rates.

Enterprise Fund projects are formulated and undertaken on a self-sustaining basis.

## **Public Funds Management**

### **Allowable Investments**

The City's funds management activity is governed by state law and by local policy. Allowable investment instruments include, and are limited to, U. S. Treasury or Agency securities; bonds of the State of South Carolina; bonds of South Carolina municipalities with an investment grade credit rating; insured or fully collateralized Certificates of Deposit; money market mutual funds backed by short-term U.S. Government securities for reserves or construction funds held in connection with a bond issue by a trustee under a trust agreement; guaranteed investment contracts for reserve funds in connection with a bond issue, when the contract is collateralized by U.S. Treasuries or Agencies of suitable maturities; other investment arrangements for proceeds of bond issues as may be negotiated, provided they meet the policy objectives identified herein.

In addition to these guidelines, the City has set for itself the following investment objectives, in order of priority:

Preservation of capital. The first interest of the City is to safeguard against the risk of loss. To that end, it is the City's policy to observe State laws that protect against credit risk. The City also attempts to limit market risk by investing operating cash balances (or working capital) in cash equivalents and marketable securities with maturities of less than one year.

In order to maintain liquidity levels appropriate to meet the demand for the funds, the City accumulates and maintains unrestricted fund balances for working capital to meet routine operating cash flow needs. The City does not, as a matter of policy, adopt tax or fee structures sufficient to generate excess balances to be made available for investment over an indefinite term. Furthermore, Council may from time to time desire to appropriate from fund balances for public purposes.

It is the City's intent to avoid the risk of suffering losses due to the need to liquidate investments prior to maturity. Therefore, all investments of working capital funds will have a final maturity of one year or less, and



the City will attempt to maintain no less than seventy-five per cent (75%) of such short-term funds in arrangements offering daily liquidity.

Exceptions to this rule are permitted only for the investment of balances designated for funded depreciation in an enterprise fund, for the future replacement of rolling stock according to the Vehicle Replacement Plan, for Debt Service Reserve funds governed by their respective bond ordinances, and for funds held for the Retirement Health Reimbursement Arrangement (RHRA). In any event, however, the maturity schedules of the invested funds will match the schedules according to which the funds are reasonably expected to come into demand.

The City's goal is to obtain reasonable, not maximum, yield. The City will attempt to achieve reasonable returns on its investments. In no event should safety or liquidity be sacrificed in favor of above market yields.

### **Custodial Arrangements**

The City shall comply with GASB Statement 3 rules on disclosures regarding certain deposits with financial institutions, investments (including repurchase agreements), and reverse repurchase agreements. Compliance with GASB Statement 3 will apply to custodial arrangements with a designated risk level of Category 1 or 2.

### **Safekeeping Agent and Requirements**

Securities belonging to the City of Myrtle Beach are held in safekeeping by a designated third-party agency, normally a bank's trust or safekeeping department. Securities will be fully registered in the name of the City of Myrtle Beach, and the safekeeping agent will supply receipts documenting the City's ownership of or pledged interest in the securities, stating the name of the issuer and a description of the security, the par amount, the final maturity date, the CUSIP number, the date of the transaction, and the safekeeping receipt number.

### **Delivery versus Payment Basis of Transfer**

The City requires that all transfers of securities, or of cash as payment for securities, be completed on the basis of delivery versus payment (DVP).

### **Segregation of selling and safekeeping responsibilities**

In no event will the bank or broker/dealer from whom a security was purchased be allowed to safe-keep the security.

## **Special Topics**

### **Unsolicited Business**

The City does not entertain unsolicited trade proposals.

### **Eligibility of Firms to Respond to Requests for Investment Proposals**

Any firm requesting eligibility to respond to requests for investment proposals of the City of Myrtle Beach will be furnished a copy of this policy. Such firm will agree to be bound by the terms of this policy, and will certify such agreement by filing a written statement to that effect. Said statement will be written on the firm's letterhead and will be signed by an officer of the firm and accompanied by documentation certifying the officer's authorization to pledge securities of the firm's portfolio for any depository accounts in the City's name, or his/her license to sell on the firm's behalf any deliverable and registrable securities to the City of Myrtle Beach.

### **Trading Programs**

Many firms offer securities trading programs and many local governments participate in them. While these programs may be designed to observe the letter of the law of South Carolina with regard to legal investments,

they are often designed to evade its intent. The City will not entertain such proposals.

### **Bond Mutual Funds**

Many bond funds are marketed as being “government guaranteed.” Except for money market funds, however, their underlying portfolios often consist of securities with long maturities, allowing them to quote high yields. They are not suitable for short-term investments. It is the City’s interpretation that these are not legal investments for municipalities in the state of South Carolina.

The single exception to this rule is for money market funds with allowable underlying securities when invested by the trustee for a bond issue as outlined in state code.

### **Derivative, or “Exotic” Products**

These products come in such a wide variety, it would be impossible to cover them all. Use of any product that derives its value from the performance of an underlying security is inconsistent with the City’s objectives for investment of working capital funds. Such products should be avoided.

### **Leveraging**

Leveraging of assets of the City of Myrtle Beach for investment purposes is strictly prohibited. This prohibition specifically includes reverse repurchase agreements.

