

Village of Addison



REQUEST FOR PROPOSALS

BANKING SERVICES

Village of Addison, Illinois
1 Friendship Plaza
Addison, IL 60101
630-543-4100
www.Addisonadvantage.org

RFP # 21-7-2

Purchasing Agent: Anna Hendrey Purchasing@addison-il.org
Issue Date: Wednesday July 21, 2021
RFP Inquiries due in writing by: Wednesday July 28,2021
Due Date: Monday August 16, 2021 10:00 a.m.

Table of Contents

Section I	General Information	2
Section II	Scope of Services	5
Section III	RFP Response Instructions	10
Section IV	Proposal Evaluation	13
Appendix A	Historical Data	14
Appendix B	Cost Proposal Form	17
Appendix B-2	Earnings Credit Rate and Balance Required to Support \$1 of Services	19
Appendix C	Community Reinvestment Act Information Form.....	20
Appendix D	Village Investment Policy	21
Appendix E	Proposal Exception Form	32

Section I – General Information

- a. **Introduction and Mandatory Requirements** - The Village of Addison, Illinois (“the Village”) is requesting proposals to ensure the Village is receiving the highest quality banking services at a competitive price. The Village’s expectation upon completion of the Request for Proposal (RFP) process is to enter into a five (5) year contract, with the option for the Village to renew for one additional five (5) year period.

Fees specified in this proposal will remain fixed for the duration of the initial 5-year contract period. Banking service charge adjustments for each optional renewal period may be proposed but may not exceed the lesser of 5% or Consumer Price Index (CPI) as of December of the preceding year.

Proposals should demonstrate the proposer bank’s cost effective and innovative approach to today’s banking needs as well as the rapidly changing demands of the future.

The Village has a long-standing and professional relationship with its present bank. The bank is being purchased by an out of state Credit Union which necessitates the desire for a new banking relationship. The transition to a new banking relationship must be completed by October 1, 2021.

In accordance with Addison’s Investment Policy (Appendix D), the Village will not maintain funds in any financial institution that is not a member of the F.D.I.C. system. Furthermore, the Village will not maintain funds in a financial institution that is unwilling or incapable of posting required collateral for funds in excess of the F.D.I.C. insurable limits. The Village will not select, as a depository, any financial institution in which the Village funds on deposit will exceed 75% of the institution’s capital stock and surplus.

- b. **Account Description** - The Village was incorporated in 1884 and has a population of 36,942. The Village is comprised of 9.8 square miles. The Village is located in DuPage County, approximately 25 miles west of the Chicago loop business district and 14 miles southwest of O’Hare International Airport. The Village is home to the second largest industrial park acreage by municipality in the Chicagoland area and employs approximately 239 full-time equivalent staff members.
- c. **Public Records** – The documents submitted in response to this request for proposals become a public record upon submission to the Village, subject to mandatory disclosure upon request by any person, unless the documents are exempt from public disclosure by a specific provision of the law. The Village assumes no contractual obligation to enforce any exemption.
- d. **Purchasing Agent** - Upon release of this RFP, all vendor communications concerning this request should be directed to the Purchasing Agent listed below. Unauthorized contact regarding this RFP with other Village employees or Board Members may result in disqualification. Any oral communications will be considered unofficial and non-binding on the Village. The vendor should rely only on written statements issued by the Purchasing Agent.

Purchasing Agent

Anna Hendrey
Village of Addison
1 Friendship Plaza
Addison IL 60101
email: Purchasing @ Addison-il.org

e. **RFP Schedule**

July 21, 2021		Distribution of RFP
July 28, 2021	4:00 PM	Proposer Questions Due to Village by E-mail
August 16, 2021	10:00 AM	RFP Sealed Responses Due to Village

- f. **Inquiries Regarding the RFP** – Requests for clarification or additional information should be made by e-mail to the Purchasing Agent by 4:00 p.m. local time on July 28, 2021. Requests received after that deadline will not be answered. Responses to all requests will be furnished to all potential proposers.
- g. **RFP Amendments** – In the event of a material modification, all known and/or potential proposers will be notified of an amendment to this RFP. If deemed necessary by the Village, proposers will be given an opportunity to modify their proposal in the specific areas that are affected by the modification.
- h. **Proposal Submission** - Each proposer must provide one (1) paper copy of their proposal. In addition, an electronic copy of the proposal and any supporting documentation shall be submitted on a USB drive. The complete proposal package must be submitted in a sealed envelope, clearly identified as “PROPOSAL FOR BANKING SERVICES.” The proposals may be mailed or delivered to:

Village of Addison
Finance Department
Attn: PURCHASING
1 Friendship Plaza
Addison, IL 60101

Proposals must be received at the above address by **10:00 a.m. on Monday, August 16, 2021.**

Proposers accept all risks of late delivery of mailed proposals regardless of fault. Proposals transmitted by email or facsimile will not be accepted. All proposals and accompanying documentation will become the property of the Village and will not be returned.

i. **Terms and Conditions** –

1. The Village reserves the right to change the RFP schedule or issue amendments to the RFP at any time. The Village also reserves the right to cancel or reissue the RFP, to reject any or all proposals, to waive any irregularities or informalities in the selection process, and to accept or reject any item or combination of items. The Village reserves the right to request clarification of information from any vendor or to request supplemental material deemed necessary to assist in the evaluation of the proposal. This RFP does not obligate the Village to accept or contract for any expressed or implied services.
2. In the event that the proposer to whom the services are awarded does not execute a contract within ten (10) calendar days after the award of contract, the Village may give notice to such proposer of intent to award the contract to the next most qualified proposer or to call for new proposals and may proceed accordingly.
3. The Village will not reimburse any vendors for any costs involved in the preparation and submission of

responses to this RFP or in the preparation for and attendance at subsequent interviews.

4. The information in this RFP indicates an estimate of the number of transactions for the year. This number is the Village's best estimate of the average volume and the Village in no way guarantees these as minimum or maximum volumes.
5. Proposers shall thoroughly examine and be familiar with these specifications. The failure or omission of any proposer to receive or examine this document shall in no way relieve any proposer of obligations with respect to this proposal or the subsequent contract.
6. The Banking Services Agreement may be terminated by either party by giving written notice to the other party at least ninety (90) calendar days before the proposed termination date. The bank shall be entitled to just and equitable compensation for any satisfactory work completed to the termination date. Under no circumstances will any damages be paid as a result of the termination of this contract.
7. The Village reserves the right to cancel its Banking Services Agreement without a 90-day written notice if the bank is sold or merged with another bank. However, an automatic continuation of all terms of the agreement in the event of a merger or acquisition may occur as long as the financial institution guarantees in writing that they will continue to meet all required terms of the agreement.
8. The Village reserves the right to terminate the Banking Services Agreement without a 90-day written notice if the awarded bank fails to comply with any of the terms and conditions of this RFP.

Section II - Scope of Services

The Village seeks proposals from competing banks for the services identified in this section (Section II) of this RFP which includes core banking services (those currently received by the Village) and non-core or additional services the Village would like to consider. The Village currently uses one bank to provide all core services described; however, the Village may consider an unbundled arrangement whereby one or more banks provide services. Cost proposals for enhanced services should be presented separately from the cost proposal for core banking services.

The scope of core banking services is identified on pages 6-9 of this RFP.

- a. **Term of Agreement** - The banking services detailed in this section will be performed for the Village on a contractual basis for five (5) years, with the option for the Village to renew for one additional five (5) year period.
- b. **Collateralization of Account Balances** - It is the policy of the Village to require security for all cash maintained in any financial institution designated as a depository. Security may be in the form of insurance or collateral. The Village is authorized to exercise this authority pursuant to the Illinois Public Funds Investment Act (30 ILCS 235). This statute states, in part, as follows: "Whenever a public agency deposits any public funds in a financial institution, the public agency may enter into an agreement with the financial institution requiring any funds not insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration or other approved share insurer to be collateralized by any of the following classes of securities..."

All collateral pledged will be not less than 103% of the Village funds held by the institution in excess of the FDIC limits. Collateral shall be valued at fair market value of the net amount of public funds to be secured at each institution. Pledged collateral will be held by the Village or in safekeeping and evidenced by safekeeping documentation. The banking institution awarded the contract must have a completed and executed collateral agreement with the Village before the start date of the contract.

Monthly reports detailing the adequacy of collateral must be supplied to the Village by the bank within five (5) business days of the close of each month via e-mail. The banking institution agrees to provide increased collateral as needed.

- c. **Account Structure** - The Village maintains its financial records on a fund basis of accounting in conformance with generally accepted accounting principles. In conjunction with this type of accounting, the Village currently utilizes a corporate commingled cash concentration account which combines monies into a single account with entitlement to the various portions of cash reflected in the Fund's general ledger accounts.

With the exception of the compensating balance account or any sweep accounts, all accounts will be set up as interest bearing checking accounts. Interest will be credited monthly based upon the weighted average daily balance of these accounts. The interest rate will be the rate proposed by the institution through this proposal on Exhibit B-2.

Data has been provided on page 16 to indicate the average monthly balance over the past twelve months, the average number of deposits per month, the average number of checks deposited per month,

the average number of checks clearing the accounts per month and various other statistical information which would be helpful for your institution in computing the fee proposal for the Village's accounts.

Currently the Village has a corporate commingled (money market) cash concentration account for the majority of its deposit activity, accounts payable (checking) account for weekly invoice payments, which includes ACH transfers and a payroll account for bi-weekly payroll periods, which also includes ACH transfers.

The current accounts payable (checking) account has a \$100,000 balance. Each night money is automatically moved by the bank from the money market account to the checking account to cover any checks that have cleared.

The payroll account is funded in total the week payroll is processed and distributed.

Additionally, there is a Business checking account to receive ACH deposits made to the Village; an account for the Addison Police Pension Fund, and an account for Postal Service charges. The Village is seeking recommendations by the proposer(s) on various alternatives to structuring its accounts (i.e. concentration account sweep to an overnight repurchase account or collateralization of entire concentration account).

Core Banking Services

d. Compensating Balances and Monthly Account Analysis

The Village is asking each proposer to submit fee proposals both on a direct fee per item method with monthly payments for services rendered and a compensating balance payment method. **The Village currently does not pay any fees to their bank and as such, comparative monthly fee statements are not available.**

If the direct fee per item method is chosen, all charges for banking services shall be reported on a monthly account analysis statement. The monthly account analysis report shall be made available electronically to the Village within 5 business days of the last day of each month and shall contain a detailed itemization of charges, types and volume.

If the compensating balance method is selected, all charges for banking services shall be reported on a monthly account analysis statement. The monthly account analysis report shall be made available electronically to the Village within 5 business days of the last day of each month and shall contain a detailed itemization of charges of types and volume. Total charges will then be compared to total accumulated earning credits to determine the total net debit (due the bank) or credit (due the Village). The net debit or credit in the account will continue to accumulate in the analysis account from month to month and a "true-up" will occur at December 31 of each year. If a debit balance, the Village will pay the bank. If a credit balance, the bank will pay the Village. The Village will monitor the compensating balance on a periodic basis and adjust its compensating balance up or down with the objective at arriving at a net balance due to from the Village of zero. Upon termination of this agreement, any remaining balance in the analysis account shall be paid to the bank (if a debit balance) or to the Village (if a credit balance).

- e. **Online Banking** - The Village requires the successful proposer to provide internet-based banking services accessible by web browser (e.g., Chrome, Microsoft Edge, Mozilla Firefox). The Village wishes to use online banking for the following, at a minimum:
- a. Customized daily balance reporting (ledger, available and collected) in multiple formats, including PDF and Microsoft Excel;
 - b. Detailed debit and credit postings (cleared checks, deposits, chargebacks, wire transfers in and out, interest payments, etc.) with ability to download data into PDF, CSV and Microsoft Excel spreadsheet formats;
 - c. Initiation of internal account-to-account transfers;
 - d. Initiation of one-time and recurring wire transfers;
 - e. Initiation of ACH debit and credit transactions and creation of saved “instructions” or “templates” for recurring/repetitive ACH debit (collection) or credit (direct deposit) type transactions;
 - f. Placement of stop payment orders;
 - g. Positive pay: including a) ability to edit upload format and b) ability to void checks; (Positive pay would be new to the Village, so an explanation on the process would be appreciated).
 - h. Monthly Statements in multiple formats (PDF, Excel, etc.);
 - i. Monthly check reconciliation files for uploading into Village’s financial system – New World thru Tyler Technologies (csv format);
 - j. Notification and retrieval of NSF, ACH exceptions, or other return items, including automatic 2nd attempt of NSF checks;
 - k. Accounts Payable check inquiries (electronic document storage and import/export capability) – The Village desires access to scanned images of cleared checks and other bank documents. Imaging methods that have an indexed format and that can be searched (check amount, check #, check date, etc.) are preferred.
 - l. Branch facility payment acceptance of Village Water bills from customers. (where the Village is sent, or can download, a daily Excel or text file for upload into its financial system showing what water bills were paid)
 - m. Image Direct Deposit – the Village shall be able to deposit and research (check amount, check #, check date, etc.) checks remotely

Security for the on-line banking services is of paramount importance to protect the Village’s assets. The security should include at a minimum:

- i. Secure customer and user on-boarding processes
- ii. Controlled user access with separation of duties
- iii. Multi-factor user authentication security
- iv. Increased security credential requirements for more sensitive functionality
- v. Transaction limits for value-bearing payments
- vi. End-to-end audit logging
- vii. Consolidated single sign-on environment
- viii. Session inactivity timeout
- ix. Required password changes
- x. Automated user id inactivation for unused IDs
- xi. User Education and Alerts

Additionally, the awarded bank should provide secured facilities with best-practices in support of online banking operations including:

- xii. Secured data centers
- xiii. Network firewalls
- xiv. Network and system monitoring
- xv. Disaster recovery with rapid response capabilities
- xvi. Change Management
- xvii. Penetration testing
- xviii. Computer incidence response team

- f. **Transfers Between Accounts** - On a regular basis, the Village will make transfers between its various accounts. Transfers will be done electronically, via the internet, by the Village, except in instances where manual transactions are required (e.g., when online services are not available). Credit for any transfers must be given on the same day that the transfer is made, no matter what time of day the transfer occurs.
- g. **ACH** – The bank must be both a “sending” and “receiving” bank on the Automated Clearing House system to accommodate a payroll direct deposit program and electronic payment collection programs for utility payments. Presently, the Village’s payroll and corresponding ACH direct deposit file are transmitted to the bank’s processing center electronically. The Village also receives ACH deposits from its Utility Billing customers that have signed up for automatic debits from their accounts for their bi-monthly utility bill. ACH payments are also received from Federal, State, payment centers and online banking portals.

ACH payments are made via our accounts payable generated file that is uploaded, and direct access from the IRS, IMRF, State of Illinois for income taxes, and Insurance HSA Manager.

The Village also seeks ACH “block” and filtering capabilities for preventing unauthorized debits of Village bank accounts.

- h. **Availability of Funds** - Deposits will be made periodically during the business day (8 a.m. to 5 p.m. CST) to a designated cashier or location mutually agreed upon by the Village and the awarded bank. The Village will be given credit as collected funds are cleared by the bank on the same day on which the deposit is made. Items deposited which clear at institutions located within the appropriate Federal Reserve Region will be considered collected funds within one business day. All other items deposited will be given credit as collected funds within two business days. All proposing banks are required to attach a copy of their current “availability schedule” to the proposal.
- i. **Wire Transfers** – Incoming Wires - the Village intends to consider all wire transfers received by the bank prior to the end of the business day, as “available for investment” by the Village, regardless of the time of actual receipt by the bank. Should a wire transfer not be received by the bank, as specified above, then the wire transfer will be traced from origin to destination to ascertain the party responsible for delaying the transfer.

Outgoing Wires - the awarded bank agrees to execute any wire transfer order on the same day (within the cutoff timeframe) by the Finance Department through the computer terminal, hard copy authorization delivered to the bank, or by fax, if necessary. Wire transfers ordered and not received by the destination party by 5:00 p.m. will be traced by the bank from origin to destination to ascertain the party responsible for delaying the transfer.

- j. **Statement and Advice Frequency** – Monthly statements need to be available on-line as soon as they are available, but no later than five (5) business days after the end of the month. The bank will provide written documentation (debit/credit advises) included with the monthly account statements for all account adjustments made during the month.

- k. **EFT payments** – The Village currently issues printed Accounts Payable checks along with EFT payments for vendors that accept such payments. The Village currently issues approximately 250 checks per month and 45 EFT Transactions. The Village will require a financial institution to process EFT payments on the Village’s behalf through a connection and interface that is secure, fully-hosted, and reliable. PCI compliance is required. Ability to securely present EFT backup documentation along with payment collection is preferred.

- l. **Community Reinvestment Act** - It is important to the Village that the awarded bank demonstrates its commitment to provide banking services to the community and that the bank’s rating under the Community Reinvestment Act (CRA) is a measure of this commitment. All proposers are required to complete the Village’s Community Reinvestment Act Information Form (Appendix C) and list the services that would be provided within Village limits in accordance with this act.

All proposers are required to submit their latest CRA rating as it relates to the Village of Addison community with their proposals. All proposers are required to furnish their bank’s community involvement and investment program. The Village will consider this rating and any supporting documentation in the evaluation process.

ADDITIONAL BANKING SERVICES

Armored Car Service - If the awarded bank does not have a depository bank location within a five-mile radius of the Village of Addison Village Hall, an armored car service may be utilized by the Village to transport deposits to the awarded bank. All costs related to the armored car/carrier service are to be included in the bank’s proposal. At the present time, the Village anticipates having 1 pickup location, the Village Hall, and one pick-up per day. All deposits picked up by the armored car/carrier service will be given same day ledger credit regardless of the actual time the deposits are taken to the bank by the armored car/carrier service.

All invoices for the armored car/carrier service will be submitted directly to and paid for by the bank. All operational problems regarding the deposit pick up locations and time will be handled by the Village.

Section III - RFP Response Instructions

Proposal Format – Proposals should be prepared simply and economically, providing a straight-forward, concise description of proposer capabilities to satisfy the requirements of this request. Special bindings, colored displays, promotional materials, etc., are not required. Emphasis should be placed on clarity of content and thoroughness. All proposal responses must be in the following format:

- a. Cover Letter
- b. Table of Contents
- c. Principal Officers, Statement of Staff Experience and Bank Background
- d. Proposed Scope of Service
- e. Proposed Schedule of Implementation
- f. References
- g. Cost Proposal Form – Appendix B
- h. Earnings Credit Rate and Balance Required to Support \$1.00 of Services – Appendix B-2
- i. Community Reinvestment Act Information Form – Appendix C
- j. Proposal Exception Form – Appendix E
- k. Additional Data and Other Information

The desired information in each of these sections is described below.

1. **Cover Letter** – The cover letter should contain the name of the proposing Bank (and/or third party vendors), the address of the proposing office(s), and the contact individual(s) authorized to answer technical, price, and contract questions. Contact information should include telephone number, fax number, mailing address, and email address. The cover letter must be signed by a person or persons authorized to bind the proposer(s).
2. **Table of Contents** – The contents of the proposal shall be included in an index at the beginning of the proposal and should include all contents and attachments.
3. **Principal Officers, Statement of Staff Experience and Bank Background** – This section should include the full name and principal address of the financial institution. Indicate whether the institution operates independently as a bank or as a holding company affiliate and provide the distance of your nearest bank branch to Addison Village Hall. Include the state in which the Bank is incorporated to operate and the date of incorporation. This section should include the range of corporate services performed by the offices(s) and the Bank's background in providing these services to public entities. The Village requests that proposing banks provide the names of a designated account executive and an alternate. The designated account executives must have the authority to make timely decisions in the normal course of business on their own. In addition, provide a listing of the entire proposed staff team which would service the contract, including name, title, and length of service with the bank/vendor. Additional qualifications and experience on similar accounts may be included.

Additionally, identify key measures of the bank's financial strength. Provide ratings for Bank Financial Strength, Bank Deposits, and Issuer Rating. The Bank shall submit a copy of its audited financial statements and FDIC Call Reports for the past two years, as required by Illinois State Statute (30 ILCS 235/6) for any bank that will receive public funds.

4. **Proposed Scope of Services** – Clearly and succinctly describe the scope of services to be provided. Address each of the items in Section II. In addition, please explicitly address the questions indicated below.
 - a. Term of Agreement
 - b. Collateralization of Account Balances

- c. Account Structure
 - 1. What are your cutoffs for payroll direct deposits and, if possible, alternatives to standard timelines, as well as the associated costs?
 - 2. Describe your overdraft protection program as it would relate to the Village, as well as what constitutes a daylight and overnight overdraft situation.
- d. Compensating Balances and Monthly Account Analysis
- e. On-line Banking
 - 1. Include specifications for automated service hardware and software capability proposed as well as data download/file transfer formats for internet services proposed.
 - 2. Explain the Bank's security features with respect to the on-line system. How is access limited?
- f. Transfers Between Accounts
- g. ACH
 - 1. The Village offers direct debit of utility payments from its residents. Explain your capability to provide this service.
 - 2. The Village offers direct deposit to employees for payroll. Explain your capability to provide this service.
 - 3. The Village pays vendors via ACH. Explain your capability to provide this service.
 - 4. The Village has ACH withdrawals initiated by specific vendors/service providers. Explain your capability to provide this service.
 - 5. The Village receives ACH deposit transmissions from various payment processing service providers. Explain your capability to provide this service.
- h. Availability of Funds
- i. Wire Transfers
 - 1. What are the opening and cut-off times in CST for initiating wire transfers to ensure same day execution?
 - 2. Does the bank's wire transfer system have the capability of warehousing instructions for future dated wire transactions?
- j. Statement and Advice Frequency
- k. EFT Payments
- l. Tyler New World software compatibility
 - 1. What is your familiarity, if any, with this software?
 - 2. What data requirements do you have for data file uploading and downloading?
 - 3. Do you have other clients who use the Tyler New World software?
- m. Other - If there are any other banking services offered that may be of interest to the Village, please describe those in subsection "m".
- n. The following questions must be answered in a subsection labeled "n."
 - 1. What is your customer service philosophy?
 - 2. What differentiates your service from other providers?
 - 3. Describe your disaster recovery procedures. How quickly will back-up facilities be activated?

If a proposer cannot meet any of the specifications, expectations or services in Section II or takes exception to any of the terms or conditions presented, these exceptions should be distinctly noted in the appropriate sections. If no exceptions are presented, the Village will assume full capabilities as described in Section II. Should third party vendors be necessary to provide any of the requested services, the detailed involvement of those parties and delineation of responsibilities should be explained in the appropriate sections.

5. **Proposed Schedule of Implementation** – Describe the conversion plan you would coordinate to ensure a smooth transition from the current provider. Discuss your ability to meet the Village’s proposed schedule as indicated in this RFP. Discuss the implementation effort and lead time that would be required to establish the banking services requested in this RFP. Include the detailed steps involved and your proposed schedule for meeting each step.

6. **References** – Please provide four (4) government account references to which the proposer is currently providing banking services. Include the following listing with your proposal:

1. Contact name
2. Title
3. Name of Customer
4. Address
5. Telephone Number
6. E-mail address
7. Number of Years as Customer
8. Services Utilized

7. **Cost Proposal** - The Village is asking each proposer to submit a fee proposal on both a direct fee per item method with monthly payment for services rendered and a compensating balance payment method. All fees should be itemized by completing Appendix B “Cost Proposal Form” and submitted with the RFP. The services itemized on Appendix B are those services currently itemized on a sample monthly account analysis statement that the Village received from a neighboring community, as the Village has not paid fees, nor received monthly analysis from its current bank.

In addition, the proposer should include as a part of the total price the cost of any services not itemized on the “Cost Proposal Form”, Appendix B, which the bank feels must be included.

The contract award will not necessarily be made to the bank that provides the lowest cost proposal, but rather to the bank that submits the proposal most suitable to the Village’s requirements in all respects.

8. **Earnings Credit Rate and Balance Required to Support \$1.00 of Services** – Should be included as a part of proposal. See Appendix B-2.

9. **Community Reinvestment Act Information Form**-Should be included as a part of proposal. See Appendix C

10. **Proposal Exception Form** - Should be included as a part of proposal. See Appendix E.

11. **Additional Data and Other Information** – The Bank may include any additional information, schedules, or attachments as it deems necessary to its proposal.

Section IV - Proposal Evaluation

Proposals will be evaluated based on criteria outlined herein which may be weighted by the Village in a manner it deems appropriate. All proposals will be evaluated using the same criteria and weighting. The criteria used will be:

- A. Responsiveness to RFP – The Village will consider all the material submitted to determine whether the proposer’s offering is in compliance with the RFP.
- B. Ability to Perform Required Services – The Village will consider all the material submitted by each proposer, and other relevant material it may otherwise obtain, to determine whether the proposer is capable of and has a history of successfully completing contracts of this type. The proposer shall furnish acceptable evidence of their ability to perform, regarding such categories as expertise/experience, equipment, facilities and personnel qualified to perform requested duties. Failure or refusal to provide such information upon request may cause the proposal to be rejected.
- C. References – The Village may contact references directly to inquire about the quality and type of services currently being provided to other customers.
- D. Fees – The Village will evaluate aggregate banking services cost, per identified activity, rate of interest paid on accounts, and overall cost effective approach to providing the services requested in this RFP.
- E. Optional Interviews and Site Visits – The Village may, at its sole option, conduct interviews and/or site visits as part of the final selection process.
- F. The inclusion in any proposal and/or in the related proposed banking services agreement of any language which directly or indirectly limits and/or in any manner purports to limit the liability of the bank for any negligence, malfeasance, and/or failure by the bank to perform its obligations under its proposed banking services agreement may, in the sole discretion of the Village, be grounds for disqualification of such proposal.

APPENDIX A

VILLAGE OF ADDISON

Banking Services Historical Data

Overview

The Village of Addison has accounts with a number of banks, which have continued to maintain excellent professional banking service relationships with the Village over the years. The following schedule details the current bank relationships maintained by the Village and the corresponding month-end balances in each Village account:

Month End Account Balances for the Village’s Accounts (past 6 months):

Bank (account)	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21
CURRENT BANK						
Money Market	\$ 2,967,482	\$ 3,457,391	\$ 1,544,652	\$ 1,823,857	\$ 2,791,547	\$1,914,086
Payroll	\$ 17,240	\$ 18,258	\$16,729	\$13,934	\$ 10,416	\$ 10,179
Accounts Payable	\$ 100,000	\$ 100,000	\$100,000	\$ 100,000	\$ 100,000	\$ 100,000
CAPPS - for Postage	\$ 3,290	\$ 3,290	\$ 3,291	\$ 3,291	\$ 3,291	\$ 3,291
Business Checking	\$ 833,866	\$ 453,275	\$ 700,939	\$ 726,652	\$1,201,441	\$1,361,790
Cert of Deposit	\$ 23,475	\$ 23,475	\$ 23,475	\$ 23,475	\$ 23,490	\$ 23,490
Police Pension Fund	\$1,475,899	\$ 1,203,205	\$ 910,154	\$612,172	\$ 1,064,577	\$ 1,004,212
TOTAL	\$ 5,421,252	\$ 5,258,894	\$ 3,299,240	\$ 3,303,381	\$ 5,194,762	\$ 4,417,048
Illinois Funds						
Corporate	\$ 19,544,970	\$20,609,246	\$ 21,431,957	\$ 22,355,537	\$ 20,566,128	\$ 21,994,227
E-Pay	\$ 331,165	\$ 436,707	\$ 508,287	\$ 624,476	\$ 714,592	\$ 814,592
TOTAL	\$ 19,876,135	\$ 21,045,953	\$ 21,940,244	\$ 22,980,013	\$ 21,280,720	\$ 22,808,819
Chase - Lockbox	\$ 2,978,854	\$ 2,793,375	\$ 2,488,134	\$ 2,819,078	\$ 3,085,577	\$2,356,977
MaxSafe	\$2,059,437	\$ 2,059,586	\$ 2,059,707	\$2,059,812	\$2,059,881	\$2,059,982
TOTAL	\$ 30,335,678	\$ 31,157,808	\$ 29,787,325	\$ 31,162,284	\$ 31,620,940	\$31,642,826

The Illinois Funds and MaxSafe balances are shown to provide proposing banks with some information as to the actual cash equivalent balances of the Village of Addison. The Village does not anticipate closing these accounts. The certificates of deposit balances are shown to provide information on additional funds that will become available for investment in the future.

The Money Market account with our current bank is the Village's primary account. All daily deposits are made into this account as well as the monthly utility billing electronic collection of payments. Transfers are made from this account into the checking accounts for payroll and accounts payable to clear checks or direct deposits for payroll when presented. Payroll is transferred by the Village in advance of the payroll being sent to employees. Money is transferred nightly by the bank automatically between the Money Market account and the AP Checking account to cover any checks that have cleared. The AP Checking account has a \$100,000 balance, whereas the Payroll account has a \$10,000 balance.

Payroll - The Village offers and encourages payroll direct deposit. The Village pays its employees bi-weekly every other Friday. The Village has 239 paid employees. Currently, the Village transmits the payroll data to the financial institution electronically 72 hours prior to payday (Wednesday for Friday pay date). The Village, from time to time, may need to transmit the payroll data 24 hours prior to the payday. Deposits must be made in the employees' accounts by 8:00 a.m. on payday. Any deviations from these time requirements must be stated in the proposal. Payroll is paid bi-weekly on Friday. Of the 239 employees that receive paychecks, only 2 employees per payroll cycle receive paper checks. Any new hires receive a paper check their first payroll cycle until their prenote has cleared.

Water Billing - The Village also offers and encourages an automatic electronic payment withdrawal program for water bills. There are approximately 1,500 (850 in odd months and 650 in even months) participants in this program. This figure could increase over time. The Village bills monthly (on a bi-monthly billing cycle) with the due date normally falling on or around the 12th of the month. This could vary if the 12th falls on a weekend day or holiday. If this occurs, then the following Monday is the due date. Currently, the Village transmits the utility account data to the financial institution electronically 2 days prior to the due date. The Village's account is credited on the due date for the total amount of the electronic utility payments.

The Village has entered into an agreement with the Illinois Department of Revenue to have all state distributions deposited directly into the Village Illinois Funds accounts. These distributions include:

- Sales Tax/Home Rule Sales Tax
- Income Tax
- Local Use Tax
- Motor Fuel Tax
- Telecommunications Tax
- Personal Property Replacement Tax
- Cannabis taxes – local and from the State

The Village does not anticipate making changes to this process.

The Village has entered into an agreement with DuPage County to have all county property tax distributions currently deposited directly into the Village's general Money Market account at our current bank.

VILLAGE OF ADDISON, IL

12 Month Average of Various Banking Transactions 5/1/20-4/30/21

Average per Month

Debits to Accounts

Accounts Payable Checks #		237
Accounts Payable Checks \$\$	\$	2,089,345.34
Accounts Payable EFT # (Incl PR taxes and Ded)		44
Accounts Payable EFT \$\$	\$	1,541,845.00
Payroll Checks #		6
Payroll Checks \$\$	\$	16,366.31
Payroll EFT #		706
Payroll EFT \$\$	\$	1,304,420.20
OTHER EFT Tr Out #		10
OTHER EFT Tr Out \$\$	\$	31,301.00
Returned Checks and ACH #		3
Returned Checks and ACH \$\$	\$	1,286.39

Credits to Accounts

Deposits from Village #		21
Deposits from Village \$\$	\$	1,532,890.71
Checks included in Deposits #		2088
Checks included in Deposits \$\$	\$	1,426,969.75
ACH dep from Credit Card Provider #		21
ACH dep from Credit Card Provider \$\$	\$	153,358.08
ACH deposit from Vanco #		21
ACH deposit from Vanco \$\$	\$	185,348.71
ACH Deposit - Property Taxes #		3
ACH Deposit - Property Taxes \$\$	\$	528,196.13
ACH Utility Bills # of files		1
ACH Utility Bills \$\$	\$	321,154.32
Deposits Accepted at Bank #		24
Deposits Accepted at Bank \$\$	\$	12,934.90
OTHER ACH Payments to Village #		15
OTHER ACH Payments to Village \$\$	\$	70,119.95
ACH from State for Specific Projects #		6
ACH from State for Specific Projects \$\$	\$	255,922.06

**APPENDIX B
VILLAGE OF ADDISON COST PROPOSAL FORM**

Section I: Direct Fee per Item Monthly Statement Payment Method

	Est. Average Vol/Month		Unit Price		Extended Cost
Account Services					
Account Maintenance		\$		\$	-
Cash Concentration Main master					-
Cash Concentration Maint Sub					-
Miscellaneous Debit					-
Debit Posted - Electronic					-
Credit Posted- Electronic					-
Statement Cycles					-
Post No Checks Maintenance					-
Banking Center Services					
Branch Credits Posted					-
Branch Deposit-Immediate Verif					-
Branch Deposit IN Non Std Bag					-
Depository Services					
Credits Posted					-
Check Deposited-On US					-
Check Deposited-Transit					-
Return Item					-
Remote Deposit Capture Maint					-
Software Maintenance Fee					-
Remote Deposit Capture Item					-
ACH Eligibility Testing/Filter					-
Disbursement Services					
Check/ Debit Posted					-
Exception Notification - Acct					-
Image Storage Per Item					-
Check Inquiry Maintenance					-
Recon Report / Statement Maint					-
Reconciliation Services					
Positive Pay Maintenance					-
Payee Name Verification					-
Exception Item					-
Image Capture Per Item					-
Partial Reconcilement - Maint					-
Partial Reconciliation-Per Item					-
Output File					-
Wire - U.s.					
Electronic Fed Debit S/T					-
Automated Clearing House					
Elockbox Maintenance					-

Elockbox Transaction Received					-
Elockbox Transaction Reformat					-
l rd Creation					-
Remote Deposit ACH Maint					-
ACH Maintenance					-
Remote Deposit ACH Item					-
Debit Originated					-
Credit Originated					-
Addenda Record Originated					-
Debit Received					-
Credit Received					-
Remote Deposit ACH Return					-
Return Item					-
Remote Deposit Return Resubmit					-
Return Notification - Email					-
ACH Batch/File Processed					-
Debit Block Maintenance					-
ACH Ada Authorized ID					-
Notification of Change					-
Notif of Change - Email					-
Elockbox File Processing					-
Accounts Reported					-
Monthly Service					-
Transactions Reported - 45 Day					-
Extended Transaction Detail					-
Acct Transfer Item					-
Total Costs					-
Balance Required to Support \$1.00 of Services (Exhibit B-2)					
Required Monthly Compensating Balance (Avg. Monthly Account x Balance Required for \$1)					

Name of Institution

Signature and Title

Date

APPENDIX B-2

**VILLAGE OF ADDISON CALCULATION SUPPORTING
EARNINGS CREDIT RATE AND BALANCE REQUIRED TO SUPPORT \$1.00 OF SERVICES**

1. Please provide Earning Credit Rate (ECR): _____%

This is the rate used to value average investable balance. How is this rate assigned?

2. Please provide the balance required to support one dollar (\$1.00) of service charges:

Exception (Also included in Exhibit E)

365 ÷ 30 (days in November)

365 ÷ 30 (days in November)

(____%)

= _____ (____%) = _____

Banks should use the ECR proposed to complete the analysis.

APPENDIX C

Village of Addison

Banking Services

Community Reinvestment Act Information Form

1. Please provide your Corporate Headquarters (Parent) in Illinois CRA report of the last examination including rating and the period of time the rating occurs.
2. Please define the service area in which this rating applies.
3. Please provide the CRA report of the last examination for the branch(s) showing the Village of Addison as part of its geographic area.

Appendix D
Village of Addison, IL
Investment Policy

I. Policy:

The Village of Addison, as a public agency, has an inherent fiduciary responsibility to properly account for and manage public funds. Public funds are to be considered current operating funds, special funds, debt service and other funds of any kind or character belonging to or in the custody of any public agency (Chapter 30, paragraph 235/1 through 235/8, Public Funds Investment Act, Illinois Compiled Statutes).

II. Scope:

This investment policy applies to all funds governed by the Board of Trustees of the Village of Addison excluding the investment of employees' retirement funds including but not limited to IMRF and the Addison Police Pension Fund.

1. Pooling of Funds

Except for cash in certain restricted and special funds, the Village of Addison will consolidate and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles. These funds are accounted for in the Village's Comprehensive Annual Financial Report and include:

- A. General Fund
- B. Special Revenue Funds
- C. Debt Service Funds
- D. Capital Project Funds
- E. Enterprise Funds
- F. Internal Service Funds
- G. Agency Funds

III. General Objectives:

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

1. Safety

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

a) Credit Risk

- The Village of Addison will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:
- Limiting investment to the types of securities listed in Section VII of this Investment Policy.
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Village of Addison will do business in accordance with Section V.
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

b) Interest Rate Risk

- The Village of Addison will minimize interest rate risk, which is the risk that the market values of securities in the portfolio will fall due to changes in market interest rates, by:
- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy (see section VIII).

2. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same day liquidity for short-term funds.

3. Yield

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- A security swap would improve the quality, yield, or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.

IV. Standards of Care:

1. Prudence

The standard of prudence to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing the overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

The “prudent person” standard states that, “Investments shall be made with judgement and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

2. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Village of Addison

3. Delegation of Authority

Authority to manage the Village of Addison’s investment program is derived from the following:

The establishment of investment policies is the responsibility of the Village Board. Management and administrative responsibility for the investment program is hereby delegated to the Finance Director/Treasurer who, under the direction of the Village Manager, shall establish written procedures for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director/Treasurer. The Finance Director/Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The Finance Director/Treasurer may from time to time amend the written procedures in a manner not inconsistent with this policy or state statutes.

The responsibility for investment activities of the Addison Police Pension Fund rests with the trustees of the Addison Police Pension Fund Board.

V. Authorized Financial Institutions, Depositories and Broker/Dealers:

The Finance Director/Treasurer will maintain a list of financial institutions authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected by credit worthiness. These may include “primary” dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except at a qualified public depository as established by state statutes.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the Finance Director/Treasurer with the following:

Audited financial statements demonstrating compliance with state and federal capacity adequacy guidelines

- Proof of National Association of Security Dealers (NASD) certification (not applicable to Certificate of Deposit counterparties)
- Proof of state registration
- Completed broker/dealer questionnaire
- Certification of having read the Village's Investment Policy

VI. Safekeeping and Custody:

1. **Delivery vs. Payment:** All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.
2. **Safekeeping:** Securities will be held by an independent third-party custodian selected by the Village as evidenced by safekeeping receipts in the Village's name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls (Statement of Auditing Standard No. 70, or SAS 70).
3. **Internal Controls:** The Finance Director/Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Village of Addison are protected from loss, theft or misuse. Details of the internal controls system shall be documented in an investment procedures manual and shall be reviewed and updated annually. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

The internal controls structure shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Dual authorizations of wire transfers
- Development of a wire transfer agreement with the lead bank and third-party custodian

Accordingly, the Finance Director/Treasurer shall establish a process for annual independent review by an external auditor to assure compliance with policies and procedures.

VII. Suitable and Authorized Investments:

The Village may invest in any type of the security allowed for in Illinois Compiled Statutes (30 ILCS 235/2) regarding the investment of public funds. Approved investments include:

- Bonds, notes, certificates of indebtedness, treasury bill, or any other securities now or hereafter issued, which are guaranteed by the full faith and credit of the United States of America as to principal and interest;
- Bonds, notes, debentures or other similar obligations of the United States of America or its agencies;
- Interest-bearing savings accounts, interest-bearing certificates of deposit or interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act; and is insured by the Federal Deposit Insurance Corporation;
- Short-term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if
 - (i) such obligations are rated at the time of purchase at one of the three highest classifications established by at least two standard rating services and which mature not later than 180 days for the date of purchase,
 - (ii) such purchases do not exceed 10% of the corporation's outstanding obligations, and
 - (iii) no more than 25% of the Village's funds may be invested in short-term obligations of corporations;
- Illinois Public Treasurer's Investment Pool (Illinois Funds), and the Illinois Metropolitan Investment Fund (IMET);
- Short-term discount obligations of the Federal National Mortgage Association (FNMA) or shares of other forms of securities or other allowable investments legally issued by savings and loan associations incorporated under the laws of this state or any other state or under the laws of the United States. Investments may be made only in those savings and loan associations of which the shares or investment certificates are insured by the Federal Deposit Insurance Corporation (FDIC);
- Investment options suitable under The Public Funds Investment Act including Fixed Rate General Obligation Municipal Bonds whose credit quality is restricted to "AA" or better.

1. Collateralization:

It is the policy of the Village of Addison and in accordance with the GFOA's Recommended Practices on the Collateralization of Public Deposits (attachment #2), the Village requires that funds on deposit in excess of FDIC limits be secured with some form of collateral, including surety bonds or letters of credit. The Village will accept any of the following assets as collateral:

- Government Securities
- Obligations of Federal Agencies
- Obligations of Federal Instrumentalities
- Fixed Rate General Obligation Municipal Bonds rated "AA" or better
- Obligations of the State of Illinois

(The Village reserves the right to accept/reject any form of the above named securities.)

The amount of collateral provided will not be less than 103% of the fair market value of the net amount of public funds secured. The ratio of fair market value of collateral to the amount of funds secured will be reviewed monthly, and additional collateral will be required when the ratio declines below the level required and collateral will be released if the fair market value exceeds the required level. Pledged collateral will be held in safekeeping by an independent third party depository designated by the Village of Addison and evidenced by a safekeeping agreement. Collateral agreements will preclude the release of the pledged assets without an authorized signature from the Village of Addison. The Village realizes that there is a cost factor involved with collateralization and the Village will pay any reasonable and customary fees related to collateralization.

VIII. Investment Parameters:

1. Diversification

In order to reduce the risk of default, the investment portfolio of the Village of Addison shall be diversified by:

- Limiting investments to avoid over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury and Agency securities),
 - Monies deposited at a financial institution shall not exceed 75% of the capital stock and surplus of that institution.
 - Commercial paper shall not exceed 33% of the Village's investment portfolio.
 - Brokered certificates of deposit shall not exceed 25% of the Village's investment portfolio.
- Investing in securities with varying maturities, and
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

2. Maximum Maturities

To the extent possible, the Village of Addison will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Village will not directly invest in securities maturing more than three years from the date of purchase.

Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding three years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as LGIPs, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

IX. Reporting:

The Finance Director/Treasurer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio. This management summary will be prepared in a manner which will allow the Village to ascertain whether investment activities during the reporting period have conformed to the investment policy. This report shall be provided to the Mayor, Village Board and Village Manager. The report will include the following:

- Listing of individual securities held, by fund, at the end of the reporting period.
- Average weighted yield to maturity of portfolio.
- Listing of investments by maturity date.
- Percentage of total portfolio which each type of investment represents.

1. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. Portfolio performance should be compared to appropriate benchmarks on a regular basis. The benchmarks shall be reflective of the actual securities being purchased and risks undertaken, and the benchmark shall have similar weighted average as the portfolio.

2. Market Yield

The Village's investment strategy is passive. Given this strategy, the basis used by the Finance Director/Treasurer to determine whether market yield is being achieved shall be the six-month U.S. Treasury Bill.

3. Marking to Market

The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA recommended practices on "Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools" (attachment #3). In defining market value, considerations should be given to the GASB Statement 31 pronouncement.

X. Investment Policy Adoption:

The Village of Addison's investment policy shall be adopted by resolution of the Village Board of Trustees. This policy shall be reviewed on an annual basis by the Finance Director/Treasurer and any modifications thereto must be approved by the Village Board of Trustees.

XI. Glossary:

AGENCIES: Informal name that refers to securities issued by the United States government and U.S. government sponsored instrumentalities.

ASKED: The trading price proposed by the prospective seller of securities. Also called the offer or offered price.

BANKERS' ACCEPTANCE (BA): A short-term financial instrument that is the unconditional obligation of the accepting bank.

BASIS POINT (BP): A unit of measurement for interest rates or yields that are expressed in percentages. (One hundred basis points equal 1 percent.)

BID: The trading price acceptable to a prospective buyer of securities.

BOND EQUIVALENT YIELD (BEY): An annual yield, expressed as a percentage, describing the return provided to bond holders. The BEY is a way to compare yields available from discount securities such as Treasury Bills and BAs with yields available from coupon securities.

BROKER: A party who brings buyers and sellers together. Brokers do not take ownership of the property being traded. They are compensated by commissions. They are not the same as dealers; however, the same individuals and firms that act as brokers in some transactions may act as dealers in other transactions.

BROKED AND NEGOTIABLE CERTIFICATES OF DEPOSIT: Short-term (2 to 52 weeks) large denomination (\$100,000 minimum). Certificate of Deposit that is issued at a discount on its par value, or at a fixed interest rate payable at maturity and are freely traded in secondary markets.

CERTIFICATE OF DEPOSIT (CD): A deposit of funds, in a bank or savings and loan association, for a specific term that earns interest at a specified rate or rate formula. CDs may be secured or unsecured, may be in negotiable or nonnegotiable form and may be issued in either physical or book entry form.

COLLATERAL: Securities, evidence of deposit, or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMMERCIAL PAPER (CP): Unsecured, short-term promissory notes issued by corporations for specific amounts and with specific maturity dates.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report for the Village of Addison. It includes five combined statements and basic financial statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A firm or individual who buys and sells for their own account. Dealers have ownership between a purchase from one party and a sale to another party. Dealers are compensated by the spread between the price they pay and the price they receive.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT (DVP): The simultaneous exchange of securities and cash. The safest method of settling either the purchase or sale of a security. In a DVP settlement, the funds are wired from the buyer's account and the security is delivered from the seller's account in simultaneous independent wires.

DISCOUNT: The amount by which the price for a security is less than its par.

DISCOUNT SECURITIES: Securities that do not pay periodic interest. Investors earn the difference between the discount issue price and the full face value paid at maturity. Treasury bills, bankers' acceptances and zero coupon bonds are discount securities.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FEDERAL CREDIT AGENCIES: Agencies of the Federal Government set up to supply credit to various classes of institutions and individuals, e.g., S & L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT OF INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to \$250,000 per deposit.

FEDERAL FUNDS RATE: The rate for which overnight federal funds are traded.

FEDERAL HOME LOAN BANKS (FHLB): The institutions that regulate and lend to savings and loan associations. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Banks vis-à-vis member commercial banks.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or FANNIE MAE): FNMA is a federal corporation working under the auspices of the Department of Housing & Urban Development, HUD. It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans in addition to fixed-rate mortgages. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member while the other Presidents serve on a rotation basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., and 12 regional Federal Reserve Banks. There are about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA OR GINNIE MAE): GNMA, like FNMA, was chartered under the Federal National Mortgage Association Act of 1938. Securities guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by pools of Federal Housing Administration (FHA), Veterans Affairs (VA), Rural Housing Service (RHS), and Public and Indian Housing (PIH) mortgage loans. The term pass-through is often used to describe Ginnie Maes.

LIQUIDITY: A liquid asset is one that can be readily converted to cash through sale in an active secondary market.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): Pools through which governmental entities may invest short term cash. Examples of LGIP's are the Illinois Funds, administered by the Illinois State Treasurer and the Illinois Metropolitan Investment Fund.

MARKET VALUE: The price at which a security could presumably be purchased or sold.

MARK TO MARKET: The process of restating the carrying value of an asset or liability to equal its current market value.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between parties. The agreement establishes each party's right in the transaction. Repurchase Agreements (REPO's) are a form of short-term borrowing for dealers in government securities. The dealer sells the government securities to investors, usually on an overnight basis, and then buys them back the following day. For the party selling the security (and agreeing to repurchase it in the future), it is a repo; for the party on the other end of the transaction (buying the security and agreeing to sell in the future), it is a reverse repurchase agreement. A master agreement will often specify, among other things, the right to liquidate the underlying securities in the event of default.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The aggregation of buyers and sellers actively trading money market instruments.

OFFER OR OFFERED PRICE: The trading price proposed by the prospective seller of securities (also called the asked or asking price).

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PORTFOLIO: Collection of financial assets belonging to a single owner.

PREMIUM: The amount by which the price for a security is greater than its par amount.

PRIMARY DEALER: A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unrelated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the state - the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

REINVESTMENT RISK: The risk that all or part of the principal may be received when interest rates are lower than when the security was originally purchased, so that the principal must be reinvested at a lower rate than the rate originally received by the investor.

REPURCHASE AGREEMENT (RP OR REPO): See Master Repurchase Agreement.

SAFEKEEPING: A service rendered by banks whereby securities and valuables of all types and descriptions are held by the bank.

SEC RULE 15C3-1: See Uniform Net Capital Rule.

SECONDARY MARKET: Markets for the purchase and sale of any previously issued financial instrument.

SECURITIES & EXCHANGE COMMISSION (SEC): The federal agency with responsibility for regulating financial exchanges for cash instruments.

SPREAD OVER TREASURIES: The difference between the bond equivalent yield for any investment and the bond equivalent yield for a Treasury investment with the same maturity.

TREASURY BILLS (T-BILLS): Short-term obligations issued by the U.S. Treasury for maturities of one year or less. They do not pay interest but are issued on a discount basis instead.

TREASURY BONDS (T-BONDS): Long-term obligations issued by the U.S. Treasury with initial maturities of more than ten years.

TREASURY NOTES (T-NOTES): Medium-term obligations issued by the U.S. Treasury with initial maturities from one to ten years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicate. Liquid capital includes cash and assets easily converted to cash.

YIELD: Loosely refers to the annual return on an investment expressed as a percentage on an annual basis. For interest bearing securities, the yield is a function of the rate, the purchase price, and the income that can be earned from the reinvestment of income received prior to maturity, call or sale. Different formulas or methods are used to calculate yields.

AUTHORIZED PERSONNEL

Finance Director: Roseanne M. Benson

Assistant Finance Director: Colleen Witt

Village Manager: Joseph A Maranowicz

APPENDIX E
VILLAGE OF ADDISON
Proposal Exception Form

Name of Bank: _____

The proposing bank wishes to note exceptions to the following items in the Request for Proposal:

<u>Page Number</u>	Item	<u>Estimated (Costs)</u>
--------------------	------	--------------------------