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July 29, 2013

SUBJECT: Letter of Clarification No. 2

REFERENCE: RFP No. S10-T24465 for

DEPOSITORY BANKING SERVICES.

TO: All Prospective Proposers:

This Letter of Clarification is issued for the following reasons:

• **To revise the above referenced solicitation as follows:**

- Article 5.7, Payroll Account, page 17, the following Provision has been **revised**, and now shall read as follows:

“About 300 City employees have been issued **payroll cards** in lieu of being paid by direct deposit or by paper check. The proposing Bank needs to provide payroll cards at no charge to the City and/or City employees who do not opt to be paid by direct deposit or paper checks, by enrolling the City employees whose enrollment forms are either faxed to proposed Bank by the Controller, or whose enrollment forms are sent via Bank’s online Agent Service Center.”

- Exhibit III, Fee Schedule shall be **replaced** in its entirety: The revised Exhibit III, Fee Schedule has been uploaded to the E-bid site and named as “Fee Schedule, Exhibit III, Rev. 072913.”
- General Terms and Conditions, Page 9 and 10 shall be **replaced** in its entirety with attached pages 9 and 10, marked “Revised Page 9, Dated July 29, 2013” and “Revised Page 10, Dated July 29, 2013.”

- **The following questions and City of Houston responses are hereby incorporated and made a part of the Request for Proposal (RFP):**

1. **Vendor Question:** “Article 8.1.8, Contents, page 23: Can we provide a link for our required Financial Statement instead of submitting a voluminous mound of paper within our RFP package?”

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COH Answer:

"Yes. A link to your Financial Statement will suffice. In addition, Proposers are also required to submit a Dunn & Bradstreet Report (or) two past years of filed Federal Tax Forms."

2. **Vendor Question:** "What is your Accounts Payable software?"

COH Answer:

"SAP Business Software Management System."

3. **Vendor Question:** "Do you utilized coupons with OCR information within the lockbox?"

COH Answer:

"Yes."

4. **Vendor Question:** "Can we get a pdf-copy of the coupons/invoices that are received in the lockbox?"

COH Answer:

"There is only a hard copy available for the coupon and invoice."

5. **Vendor Question:** "What type of reporting are you receiving from lockbox? Can we get an example?"

COH Answer:

"Whatever correspondence that comes in with the check, for example, coupons, letters, and or citations, etc."

6. **Vendor Question:** "Article 9.0, Money Market Fund, page 17: Is the movement of a net difference in and out daily, with interest being credit at the end of month sufficient to the City?"

COH Answer:

"Balances in the concentration account over a specified amount are to be automatically swept into the money-market fund at the close of each business day. At the commencement of each business day, the balance is to be deposited back into the concentration account. The total interest earned from the money-market account is to be deposited back in to the concentration account on the first business day of the following month."

7. **Vendor Question:** "Can the City let us know the type of 'Investment Sweep' that you are currently investing in?"

COH Answer:

"The balances in the concentration account over a specified amount are swept into the JPMorgan US Government Money Market Fund."

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8. **Vendor Question:** “Article 12.0, Daylight Overdraft, page 17: The request is for a \$200 million Daylight Overdraft--how many times has this been utilized by the City within the last contract period. And please explain why.”

COH Answer:

“We utilize the \$200 million Daylight Overdraft about three times annually. This is utilized mainly on days when our debt service payments exceed \$200M, or debt service payments plus security purchases exceeding \$200M total.”

9. **Vendor Question:** “Please define the following on the fee schedule: CQD Depository Credit; and IRD One?”

COH Answer:

“CQD means Chase Quick Deposit (which is a scanned deposit item). IRD means Image Replacement Document (which is also a scanned deposit item with modifications).”

10. **Vendor Question:** “Does the City utilize Remote Deposit Capture Scanners? If so, how many locations and number of scanners are utilized?”

COH Answer:

“PWE has two locations with four scanners. Municipal Courts has three scanners.”

11. **Vendor Question:** “Collateral: It states in bold that you can accept a Surety Bond. Can the City also take a FHLB Letter of Credit as well?”

COH Answer:

“At this time we are not set up to take FHLB, but would consider it.”

12. **Vendor Question:** “Safekeeping: Although we will be submitting a monthly invoice for Analysis Fees, will you accept the billing for Safekeeping to run thru AA as well, or are you wanting a separate Invoice?”

COH Answer:

“We want a separate invoice.”

13. **Vendor Question:** “On Fee Schedule (Account Services)--Electronic debit posted and electronic credit posted are same volume at 4596. Is this correct for both?”

COH Answer:

“Yes. They are the same, but it is an estimate and it varies.”

14. **Vendor Question:** “Do you want pricing on the Scannable Lockbox, in which I am assuming is a retail lockbox for coupon-type processing?”

COH Answer:

“Yes we have 3 network lockboxes and one scannable.”

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15. Vendor Question: “Article 3.2.5 and 3.2.5.1, General Terms and Conditions, page 9: Under Bankers Professional Liability it states a \$100 million limit first, but then 3.2.5.1 states \$1 million. Which is required?”

COH Answer:

“\$100 million.”

16. Vendor Question: “The certificate will be signed by a producer, which is typical, not endorsed by the underwriter. Is that ok?”

COH Answer:

“Only unaltered original insurance certificates signed by the underwriter or authorized representative are acceptable. Photocopies are unacceptable.”

17. Vendor Question: “Article 3.6.5 and Exhibit IV, General Terms and Conditions, page 10: ‘We will provide 30 days’ advance written notice to the Director.’ the policy itself states the carrier will provide 90 days’ notice of cancellation, but only to us. We can agree to provide the required notice to the City ourselves. Is it ok with the City that we are prohibited by law from modifying the notice of cancellation section on the certificate of insurance forms?”

COH Answer:

“Each policy must be endorsed to state that it may not be canceled or non-renewed, without the insurer providing the Director 30 days advance written notice.”

18. Vendor Question: “Article 21.0, Securities Safekeeping Services, page 19: Could the City provide an estimate of the number of trades by type of investment? (The number of trades for CP and other non-Governments/Agencies would be helpful.) And please confirm that all CDs are held outside of the safekeeping account(s).”

COH Answer:

“For the past 12 months: Treasury = 20, US Government Bonds = 65, Municipal Bonds = 75, and Mortgage Backed security = 1. All CDs are held outside of safekeeping account.”

19. Vendor Question: “Article 21.0, Securities Safekeeping Services, page 19: Can the current Investment Policy Statement be provided? Explain what type of electronic interface file is needed from the safekeeping organization to the City's trust software.”

COH Answer:

“Yes. Current ‘City of Houston Investment Policy’ is attached.”

20. Vendor Question: “Article 21.0, Securities Safekeeping Services, page 19: Explain what type of electronic interface file is needed from the safekeeping organization to the City's trust software.”

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COH Answer:

"The City does not use a trading system software package. Instead, we use a SunGard system for our internal accounting needs, and also use IDC for pricing service."

21. Vendor Question: "Will the City consider respondents that do not carry the \$100 million level of Bankers Professional Liability coverage. May the Respondent also bid on the safekeeping service only?"

COH Answer:

"The answer to both questions is 'No'."

22. Vendor Question: "How much in actual dollars are you depositing per month at the vault (volume is listed per strap)?"

COH Answer:

"Estimate is between \$70MM to 80MM per month from 19 accounts that receive deposits."

23. Vendor Question: "How much in actual dollars are you ordering in cash per month at the vault (volume is listed by strap)."

COH Answer:

"We do not order cash from the branch. Funds are used by departments depending on their needs and it varies day to day."

24. Vendor Question: "How much in actual dollars are you depositing per month at the branch (volume is listed per strap)?"

COH Answer:

"Estimate is between \$70MM to 80MM per month from 19 accounts that receive deposits."

25. Vendor Question: "How much in actual dollars are you ordering in cash per month at the branch (volume is listed by strap)?"

COH Answer:

"Please see question and answer to No. 23."

26. Vendor Question: "Please explain what line item CQD Depository Credit 240 listed under Depository Services means?"

COH Answer:

"Please see question and answer to No. #9."

27. Vendor Question: "Please validate the number of remote deposit scanners you utilize today. You mention IDD Maintenance of 12 and have a have a Software Fee of 36 and another IDD Check Scanner of 6."

COH Answer:

"We have 7 (seven) remote deposit scanners."

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28. Vendor Question: "Is the City of Houston utilizing Image Cash Letter as I see line items for IRD and Image Groups, or are you running all checks through Image Deposit Direct?"

COH Answer:

"Yes, the City uses ICL (Image Cash Letter)."

29. Vendor Question: "Is it a requirement that your treasury management bank archives check disbursements for longer than one year for the City of Houston outside of a CD-ROM?"

COH Answer:

"Yes, the requirement is for banks to archive for longer than one year. Currently, the City's material is archived for 7 (seven) years."

30. Vendor Question: "You state you have 4 lockboxes; however, in the pricing the annual volume is set at 24, giving only 2 lockboxes. Please confirm the number of boxes."

COH Answer:

"We have 4 (four) lockboxes."

31. Vendor Question: "Can we please get a detail on what "Premium Processing" is? And what data is being captured?"

COH Answer:

"This information is not available at this time."

32. Vendor Question: "What is the difference between a Network Lockbox and a Scannable Lockbox, and why is no data provided in the estimated annual volume field? Will you want pricing since no volumes are listed?"

COH Answer:

"Wholesale Network Lockbox material is keyed in the banks' system. Scannable Lockbox has a coupon and the information is scanned by bank personnel. Yes, we would want pricing."

33. Vendor Question: "Regarding Lockboxes, are the items being viewed on-line or only from the mail?"

COH Answer:

"On-line."

34. Vendor Question: "Should the number in the estimated annual volume be 264 for the zero balance sub account? It is currently at 12."

COH Answer:

"Please see revised Fee Schedule attached to the website."

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35. Vendor Question: “Regarding Account Services, is it a requirement that your treasury management bank provides an automatic transfer daily outside of earnings credit between excess funds in your concentration account into a money-market account end of day, and swept back into concentration in the morning?”

COH Answer:

“Yes.”

36. Vendor Question: “Can we get a list of the current custody holdings?”

COH Answer:

“See attached file labeled, ‘Investment Detail’ posted on the City’s E-bid website.”

37. Vendor Question: “Can we get a recap of transaction activity for the last year for: purchases, sales, free deliveries/receipts, cash movement (transfers in/out, wires, etc.)?”

COH Answer:

“See attached file labeled, ‘Investment Transactions’ posted on the City’s E-bid website.”

38. Vendor Question: “Can we get a copy of the fee calculation template referenced in the RFP?”

COH Answer:

“The Fee Schedule, Exhibit III Rev. 072613 is attached, and replaces the former/original Fee Schedule, Exhibit III.”

39. Vendor Question: “What causes the City’s accounts to enter a daylight overdraft position?”

COH Answer:

“Please see question and answer to No. 8.”

40. Vendor Question: “How is the daylight overdraft position funded?”

COH Answer:

“Money Market Fund—the security matures on same day.”

41. Vendor Question: “What is the frequency of the City’s accounts entering a daylight overdraft position?”

COH Answer:

“Please see question and answer to No. 8.”

42. Vendor Question: “Regarding level of deposits, what level of deposits does the City maintain with their depository?”

COH Answer:

“We target about \$15M net daily.”

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43. Vendor Question: "Is a current Investment Policy available? If yes, how can a copy be obtained?"

COH Answer:

"The Investment Policy is available on the City's E-bid website as a separate file labeled, 'City of Houston Investment Policy'."

44. Vendor Question: "Is the City's list of eligible collateral of those options identified in Chapter 2257 of the Government Code (aka Public Funds Collateral Act)? If no, what further restrictions are imposed by the City?"

COH Answer:

"This information is not available at this time."

45. Vendor Question: "How frequent is the City in a "Daylight Overdraft" position? What is the timing of a typical "Daylight Overdraft" and its covering deposit of collected funds received?"

COH Answer:

"About three times per year, and covers deposit of collected funds always received."

46. Vendor Question: "Please clarify services under "Information Reporting: Ec Trans Fee Per 1000 Char," and "Communication Services: Ec Gateway Monthly Maintenance & Monthly Trans Fee."

COH Answer:

"EC Gateway Maintenance—monthly maintenance charge per client ID for transmission on payment information; EC Gateway Monthly Trans Fee—monthly transaction charge for transmissions of payment information; and EC Trans Fee Per 1000 Char—Charges for transactions translated to standard reporting format (EDI)."

47. Vendor Question: "Please clarify under "Depository Services: Cqd Depository Credit."

COH Answer:

"Please see question and answer to No. 9."

48. Vendor Question: "Article 10, Lockboxes, page 17: Are separate P.O. Boxes used for each collection function?"

COH Answer:

"Yes."

49. Vendor Question: "Article 10, Lockboxes, page 17: Please provide samples of each document that is within the scope of processing services for each lockbox."

COH Answer:

"We cannot provide a sample of everything since we do not see all of the items. A sample letter and invoice is attached."

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50. Vendor Question: "Article 10, Lockboxes, page 17: Please provide clarifications on Lockbox volumes as annual volumes seem low."

COH Answer:

"With the new fee schedule, the volume of lockboxes has increased. During the first contract we only had two lockboxes, now there are 3 (three)."

51. Vendor Question: "Article 10, Lockboxes, page 17: If at all possible, please provide a more granular view of volumes received for each of the four lockboxes (by month, week and day) for 2012 and YTD 2013."

COH Answer:

"This information is not possible at this time."

52. Vendor Question: "Article 10, Lockboxes, page 17: Please clarify if additional wholesale and scannable check volume should be included in anticipation of migrating volume to lockbox."

COH Answer:

"The Fee Schedule, Exhibit III Rev. 072613 is attached, and replaces the former/original Fee Schedule, Exhibit III."

53. Vendor Question: "Article 10, Lockboxes, page 17: For each document within each lockbox, please provide details on the coupon / document format, layout and specifications."

COH Answer:

"There are various coupons because payments are for various citations, permits, etc. Documents consist of 8-½ x 11 (letter size) paper with the bottom portion, if not the whole document, returned with payment."

54. Vendor Question: "Article 10, Lockboxes, page 17: Are any stop files utilized within the lockbox?"

COH Answer:

"No."

55. Vendor Question: "Article 10, Lockboxes, page 17: For the four lockboxes, is a return window envelope utilized by the City of Houston for the submission of monthly transactions?"

COH Answer:

"Yes."

56. Vendor Question: "Article 10, Lockboxes, page 17: Please provide a sample of the return envelope (or samples if more than one format) for each lockbox and provide details around the window envelope format / size / specifications."

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COH Answer:

"See attached file on the City's E-bid website labeled, 'Window Envelope Sending Invoice'."

57. Vendor Question: "Article 10, Lockboxes, page 17: Does the City of Houston accept credit card payments for any of the four lockboxes?"

COH Answer:

"No."

58. Vendor Question: "Exhibit III, Fee Schedule: Annual volumes for the Scannable Lockbox section of the fee schedule are blank. Please provide volumes for each price point (TMA code)."

COH Answer:

"The Fee Schedule, Exhibit III Rev. 072613 is attached, and replaces the former/original Fee Schedule, Exhibit III."

59. Vendor Question: "Exhibit III, Fee Schedule: How are check only payments handled if there is no account number written on the check?"

COH Answer:

"Bank contacts liason in the department and research the item."

60. Vendor Question: "Exhibit III, Fee Schedule: For exception handling, does the City of Houston currently use online 'decisioning' functionality to review exception work for each of the four lockboxes or are all identified exceptions sent back to the client unprocessed?"

COH Answer:

"Yes 'decisioning' is used. Exceptions and returns are returned to the City."

61. Vendor Question: "Exhibit III, Fee Schedule: Regarding daily processed Network lockbox and Scannable Lockbox work, are the paper documents returned to the City of Houston?"

COH Answer:

"No, the City does not get returned documents. The documents are stored in 'Receivables Edge' and copies are printed from there."

62. Vendor Question: "Exhibit III, Fee Schedule: Does the City provide their lockbox provider a Billing File to match to?"

COH Answer:

"No, the City does not provide a 'Billing File'. The Bank provides a file electronically with processed documents to the departments' daily."

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63. Vendor Question: “Exhibit III, Fee Schedule: Alternatively, does the City of Houston utilize any type of look up file that can be provided for the lockbox processing programs?”

COH Answer:

“Departments are able to view items within a batch.”

64. Vendor Question: “Exhibit III, Fee Schedule: What are the field capture requirements /layouts/format for each of the four lockboxes?”

COH Answer:

“Please see question and answer to No. 49.”

65. Vendor Question: “Article 11.0, Collateral, page 17: Please confirm the type of collateral used by the City today and advise of the City’s ability to consider Letters of Credit issued by the Federal Home Loan Bank as a possible collateral option?”

COH Answer:

“A surety bond from an institution approved by the City Controller is an acceptable substitute to collateral.”

66. Vendor Question: “Article 11.0, Collateral, page 17: Please confirm the type of collateral used by the City today and advise of the City’s ability to consider Letters of Credit issued by the Federal Home Loan Bank as a possible collateral option?”

COH Answer:

“A surety bond from an institution approved by the City Controller is an acceptable substitute to collateral.”

67. Vendor Question: “Article 11.0, Collateral, page 17: Please confirm the average collected balance for collateralization purposes.”

COH Answer:

“\$15 million”

68. Vendor Question: “Article 11.0, Collateral, page 17: Please clarify this sentence: **‘The City will collaborate with the Bank to manage the cash so that overnight investments plus compensating balances, if used, are covered by the fixed level of collateral value.’** (Per Texas Public Finds Collateral Act, overnight investments are not deposits and cannot be collateralized by securities pledged.)

COH Answer:

“This is referring to the \$15MM cash, all excess cash over \$15MM automatically go into the money market fund.”

69. Vendor Question: “Article 11.0, Collateral, page 17: Does the City require a ‘fixed amount’ of deposit collateral value? Please explain the requirement. “

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COH Answer:

"The amount of collateral requirement depends on the cash amount at the close of business each day."

70. Vendor Question: "Regarding Securities and Safekeeping Services, does the City request one or more custodial accounts? Are these all sub-accounts of the legal entity?"

COH Answer:

"Two accounts: One for the General Investment Fund; and the second account for the HUD Section 108 Fund."

71. Vendor Question: "Regarding Securities and Safekeeping Services, is a current portfolio statement or reporting package available for our review for each account?"

COH Answer:

"No."

72. Vendor Question: "Regarding Securities and Safekeeping Services, are all accounts/portfolio's self-managed by the City? If not, how many investment managers are utilized?"

COH Answer:

"All are self-managed by the City."

73. Vendor Question: "Regarding Securities and Safekeeping Services, what is the trading activity per account? (Estimated trade activity per-month and annually)?"

COH Answer:

"General Investment Fund averages 100–150 per year, and HUD Section-108 averages about 5 -10 per year."

74. Vendor Question: "Regarding Securities and Safekeeping Services, what is the average cash balance maintained in the account(s)?" Or confirm all cash is transferred to/from the operating account."

COH Answer:

"All cash is transferred at the closing of each day."

75. Vendor Question: "Regarding Securities and Safekeeping Services, are any of the portfolios related to ERISA or employee benefit plans?"

COH Answer:

"No."

76. Vendor Question: "Regarding Securities and Safekeeping Services, are any of the accounts/assets pledged? If so, to whom?"

COH Answer:

"No."

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77. Vendor Question: “Regarding Securities and Safekeeping Services, who is the current custodian?”

COH Answer:

“JPMorgan Chase Bank.”

78. Vendor Question: “Article 7.0, Financial Statements, page 23: Please confirm that internet links to our bank’s required financial statements and information can be provided rather than paper copies.”

COH Answer:

“Yes, provide your company’s audited annual financial statements covering the past two years. Due to the volume of these files, an internet link to your financial statements will suffice.”

79. Vendor Question: “Exhibit III, Fee Schedule, Page 1 under vault document pricing: Please clarify if deposit amounts are actual dollars deposits or per \$100/\$1000.”

COH Answer:

“We utilize both, actuals and deposits per \$1,000.”

80. Vendor Question: “Exhibit III, Fee Schedule, Page 3 under ACH document pricing: Please confirm ACH file schedule (daily, weekly, bi-monthly), the average dollar value of ACH files being originated.”

COH Answer:

“ACH is daily in the amounts between \$100,000 and \$33,000,000.”

81. Vendor Question: “Exhibit III, Fee Schedule, Page 4 under EC Gateway document pricing: Please confirm the purpose of this service. (i.e. ACH detail on incoming ACH activity, etc).”

COH Answer:

“Please see question and answer to No. 46.”

82. Vendor Question: “Exhibit III, Fee Schedule: The City states in the RFP that you have 4 lockboxes. The Fee Schedule reflects volumes for 2 wholesale lockboxes. Is there other volumes we need to be reviewing?”

COH Answer:

“There are 4 (four) lockboxes.”

83. Vendor Question: “Exhibit III, Fee Schedule, Page 1: There are no volumes listed for Scannable Lockbox. Is this a new service? Will you be able to provide volumes?”

COH Answer:

“Yes this is new. Please see question and answer to No. 58.”

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84. Vendor Question: "Exhibit III, Fee Schedule: May we get a copy of the current processing instructions for the lockbox?"

COH Answer:

"No."

85. Vendor Question: "Exhibit III, Fee Schedule: Does your current provider process on Saturday?"

COH Answer:

"Yes."

86. Vendor Question: "Exhibit III, Fee Schedule: May we have a copy of sample invoice/coupon being used for the 4 lockboxes?"

COH Answer:

"The Fee Schedule, Exhibit III Rev. 072613 is attached, and replaces the former/original Fee Schedule, Exhibit III."

87. Vendor Question: "Exhibit III, Fee Schedule for WNLB Paper Delivery Prep: Please explain the service being provided. Is all work sent back on a daily basis?"

COH Answer:

"Wholesale Network Lockbox. The work is not sent back because it is available by image in Chase's 'Receivables Edge'."

88. Vendor Question: "Exhibit III, Fee Schedule for WNLB Package: How often is the work sent back? Is the correspondence truncated? Do you receive check copies?"

COH Answer:

"Please see question and answer to No. 87."

89. Vendor Question: "Exhibit III, Fee Schedule for WNLB Additional Deposits: Please explain the service being provided."

COH Answer:

"If the individual is paying two bills and the location is the same, then there is an additional deposit."

90. Vendor Question: "Exhibit III, Fee Schedule: Due to different pricing structures, Proposers are likely to have additional line items not available on the original pricing form that are necessary to price basic services. How does the City want Proposers to handle additional line items on the pricing form?"

COH Answer:

"We will review additional line items."

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91. Vendor Question: "Scope of Work, Article 7.0 (Section-108 Account), and Article 8.0 (Single Non-Profit Trust Fund Account), page 17: Do the accounts need to be interest bearing accounts?"

COH Answer:

"Yes."

When issued, Letter(s) of Clarification shall automatically become a part of the RFP documents, and shall supersede any previous specification(s) and/or provision(s) in conflict with the Letter(s) of Clarification. It is the responsibility of the Proposer to ensure that they have obtained any such previous Letter(s) associated with this solicitation. By submitting a response on this project, Proposers shall be deemed to have received all Letter(s) of Clarification and to have incorporated them into this RFP.

Should you have any questions or if further clarification is needed regarding this Proposal, please contact me at greg.hubbard@houstontx.gov, or at 832.393.8748.

Sincerely,

Greg Hubbard

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Phone: 832.393.8748

DM

GH:DM:gh 

cc. Ronald C. Green, CTL; , Charisse Mosely, CTL; Han Au, CTL; File

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