

1. Types of collateral the Village would accept. **Please see the attached Investment Policy**
2. Are the ACH payroll files and utility collections originated in NACHA format and transmitted to the Bank via a file upload? **Yes**
3. Would the optional pickup of Bank Deposits by the Bank include only checks or also cash? **It would only include cash; checks are process in house through remote deposit.**
4. How often do you expect daylight overdrafts to occur and what is the average dollar amount? **Not a common occurrence.**
5. What is the average monthly balance for each additional money market account established for the segregated fund activities and how many total accounts? **Page 7, we have 8 Money Market accounts average balance of \$2,504,034.24, in addition we have \$18,853,240.00 in a General Fund Money Market account.**
6. Of the 11,000 utility bills, approximately how many currently use direct debit (ACH) for their payments? **Around 1,022 customers utilize direct debit.**
7. What format do you need the data file in for lockbox payments to upload to your financial software (New World Systems)? **See attached**
8. Are all of the figures listed on Exhibit A monthly or annual volumes? (They are listed as “Monthly Volume” but some of the figures seem high for monthly volumes.) **Page 20 Exhibit A figures represent Annual Volume. ACH Returned (RCK) volume is incorrect we receive an average of 4 returned ACH.**
9. Regarding Exhibit A, please define:
 - A. Account Maintenance (Depository Account = 36 & Accounts Payable Account = 144)
Numbers reflect volume not dollar amount, the monthly service cost for the Sweep account is around \$3,000.00 (AP & Payroll)
 - B. What is included in the ACH In and ACH Origination figures for the Depository Account?
Property taxes, utility taxes, ambulance service payments and all state revenues.
 - C. What is included in the ACH Out and ACH Origination figures for the Payroll Account?
Payroll, payroll liabilities, pension payments
 - D. Is there a reference for the asterisk listed next to “Items Deposited – not on us*”?
Items deposited from other banking institutions.

Please see revised Exhibit A attached

10. Page 15 of the Proposal indicates the “per-item charges should be extended to the Annual Charges column” in Exhibit A but this column is not included in Exhibit A. Would you like us to add this column when completing the Proposal? **Yes**
11. What are the estimated average daily balances for all Village funds which will be kept on deposit at the selected Bank? **See attached report**

1. Please provide the RFP (or at a minimum the Exhibits) in Microsoft Word if possible. **Website only accepts PDF files.**
 2. How many online banking users will the Village have? **8**
 3. Please confirm whether the Village requires all balances to be collateralized or just funds not covered by FDIC insurance. **Only funds not covered by FDIC insurance**
 4. How many employees receive direct deposit of payroll? **203**
 5. What is the average dollar amount of a payroll file? **Average \$370,000**
 6. How many resident utility payments are included in the ACH file transmission? **Average 1,020**
 7. What is the average dollar amount of the utility payment file? **Average \$110,000**
 8. On average, how many check payments are received by the Village on a monthly basis? **See revised Exhibit A**
 9. How many of the check payments received are generated via a consumer online bill pay platform and therefore do not include a corresponding coupon? **Average of 1,000**
 10. How many merchant accounts does the Village process through today? **3**
 11. How are merchant transactions processed? (Through stand-alone credit card terminals, virtual terminals, POS software, websites, etc.?) **terminal, online and NWS POS Software.**
 12. How many terminals will the Village require? **4**
 13. What gateway does the Village use (if processing through a website)? **E-Pay**
- Regarding Custody and Safekeeping:
14. What is the size of the portfolio? **See attached Treasurer's Report**
 15. What is the average number of monthly trades? **No trades**
 16. What types of securities are in the portfolio? **See investment policy**
 17. *On Exhibit A please verify:*
 - a. *Are volumes provided monthly or annual?*
 - b. *Are returned checks currently converted to ACH?*
 - c. *Please define the Account Maintenance volume of 144 on the Accounts Payable Account Cost Proposal*
 18. *Please define ACH returned (RCK) volume of 1200*

Please see attached revised Exhibit A

1. Will the Village accept a Letter of Credit as collateral on deposits in excess of FDIC limits? **No, see investment policy**
2. Does the Village currently utilize a Lock Box Service? **No**
3. Does the Village require that daily deposits, including currency, be delivered to a bank branch or would the Village consider the use of a Vault? **We would consider the use of a Vault**

Village of Hanover Park

General Ledger Balances as of February 29, 2016

Account Type	Opening Date	Maturity Date	Interest Rate	Balance as of: 2/29/2016
Certificate of Deposit	1/23/2015	1/23/2017	0.700%	450,000.00
Certificate of Deposit	6/21/2012	6/21/2016	0.600%	285,790.93
Certificate of Deposit	1/23/2015	1/23/2017	0.700%	531,726.59
Checking Account - Operating			0.000%	<u>1,144,017.24</u>
				2,411,534.76
Checking Account - Operating			0.000%	<u>7,347,718.18</u>
Checking Account - Accounts Payable				
Checking Account - Payroll				
Money Market Fund - Epay			0.010%	219,792.76
Money Market Fund			0.010%	
Money Market Fund - General Corp Acct			0.010%	18,853,646.11
Money Market Fund - MFT			0.010%	741,712.62
Money Market Fund - SSA # 3			0.010%	44,963.75
Money Market Fund - SSA # 4			0.010%	65,084.50
Money Market Fund - SSA # 5			0.010%	427,617.05
Money Market Fund - SSA # 6			0.010%	1,554.25
Money Market Fund - Water & Sewer			0.010%	<u>1,003,309.31</u>
				21,357,680.35
Convenience Fund			0.210%	20,822.61
1-3 year Investment Fund			0.141%	<u>102,682.99</u>
				123,505.60
Certificate of Deposit	5/25/2015	5/25/2016	0.200%	256,277.60
Certificate of Deposit	6/24/2013	6/24/2018	0.850%	288,745.09
Certificate of Deposit	2/5/2013	2/5/2017	0.450%	<u>322,994.28</u>
				868,016.97
Certificate of Deposit	3/12/2015	3/12/2016	0.250%	207,693.75
Certificate of Deposit	3/12/2015	3/12/2016	0.250%	264,023.08
Certificate of Deposit	9/27/2014	9/27/2016	0.350%	261,230.36
Certificate of Deposit	9/23/2015	9/23/2016	0.250%	<u>251,258.17</u>
				984,205.36
Certificate of Deposit	12/12/2014	3/12/2016	1.040%	118,056.08
Certificate of Deposit	1/17/2015	7/17/2016	1.040%	<u>120,973.58</u>
				239,029.66
Cash Account - Operating			0.080%	797,110.64
Certificate of Deposit	2/24/2015	2/24/2017	0.851%	245,800.00
Certificate of Deposit	2/24/2015	2/24/2017	0.815%	245,900.00
Certificate of Deposit	2/24/2015	2/24/2017	0.753%	246,200.00
Certificate of Deposit	2/24/2015	2/24/2017	0.757%	246,200.00
Certificate of Deposit	2/24/2015	2/24/2017	0.701%	246,500.00
Certificate of Deposit	11/9/2015	11/8/2016	0.607%	248,400.00
Certificate of Deposit	5/13/2015	5/12/2016	0.633%	194,529.12
Certificate of Deposit	5/15/2015	5/16/2016	0.453%	248,800.00
Certificate of Deposit	11/16/2015	8/23/2016	0.417%	248,339.74
Certificate of Deposit	3/4/2015	3/6/2017	0.950%	247,754.08
Certificate of Deposit	3/4/2015	3/6/2017	0.950%	<u>248,000.00</u>
Certificate of Deposit				3,463,533.58
Savings Account				<u>354,566.00</u>
				354,566.00

**VILLAGE OF HANOVER PARK
BANKING SERVICES PROPOSAL FORM**

EXHIBIT A

Proposer: _____

<u>Bank Depository Services</u>	<u>Estimated Monthly Volume</u>	<u>Charge Per Item</u>	<u>Monthly Service Charges</u>
<u>Bank Depository Account</u>			
Estimated Average Daily Balance	\$6,617,603		
Account Maintenance	\$3000		
Deposits Slips Processed	35		
Items Deposited – on us	100		
Items Deposited – not on us*	4,000		
Wire Transfers:			
Incoming	0		
Outgoing	25		
Transfers Between Accounts	8		
ACH Transactions:			
ACH In	580		
ACH Out	10		
ACH Origination	21		
ACH Returned (RCK)	5		
Notification of incoming ACH Transaction	580		
Return checks converted to RCK	10		
Currency Processing	\$160,000		
Coin Counting	\$3,000		
Total Proposed Service		\$	_____

<u>Bank Depository Services</u>	<u>Estimated Monthly Volume</u>	<u>Charge Per Item</u>	<u>Monthly Service Charges</u>
<u>Accounts Payable Account</u>			
Estimated Average Daily Balance	0		
Account Maintenance	0		
Checks Paid	360		
Wire Transfers:			
Incoming			
Outgoing	2		
Transfers Between Accounts	0		
Stop Payments	1		
Payee Positive Pay	2		
Payee Positive Pay per Check	360		
Payee Positive Pay – Exceptions	1		
Online Check/Deposit Archiving	360		
Statement Fee			
Total Proposed Service			\$ _____

<u>Bank Depository Services</u>	<u>Estimated Monthly Volume</u>	<u>Charge Per Item</u>	<u>Monthly Service Charges</u>
<u>Payroll Account</u>			
Estimated Average Daily Balance	0		
Checks Paid	83		
Positive Pay	83		
Wire Transfers:			
Incoming	3		
Outgoing	0		
ACH Transactions:			
ACH In	1		
ACH Out	27		
ACH Origination	845		
Prenotes	5		
Total Proposed Service			\$ _____

Utility Lockbox Import Logos.NET

Interface File Specification Version 1.3

Version	Modification	Date
1	Initial Draft	8/13/2008
1.2	Changed Date Format and Date is not required	9/24/2008
1.3	Added all fields to standard. Moved the comments as the last field in the sequence.	9/25/08

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- All Field Definitions

New World Systems UT Lockbox Import					
Attribute	Sample Data	Max Length/Type	Description	Required	Notes
Remit Number	0000456789123	13/numeric	Account Number	X	10 digit Account Number followed by 3 digit Account Number Sequence
Remit Amount	0000010575	10/numeric	The payment amount	X	Implied decimal DDDDDDDDCC
Transaction Date	12-25-06	8/alpha-numeric	The date of the payment transaction		MM-DD-YY
Check Number	000000000012345	16/alpha-numeric	The check number		
Comments		20/alpha-numeric	Free form comment field.		

- Fixed Width format

New World Systems UT Lockbox - Import (Fixed Field)				
Field	Sample Data	Length/Type	Description	Required
Account Number	0000456789123	13/numeric	Populate the field with a 10 character Account Number and 3 character tenant number. The field is padded on the left with zeroes.	X
Payment Amount	0000010575	10/numeric	Populate the field with the 10 digit amount paid, no decimal point. The first 8 digits represent dollars and the last 2 digits represent the cents. (Implied decimal, two positions DDDDDDDCC) The field is padded on the left with zeroes	X
Transaction Date	12-25-06	8/alpha-numeric	The transaction date in MM-DD-YY format. If no transaction date than the Payment Date in the UI will be used.****	
Check Number	000000000012345	16/alpha-numeric	The check number. The field is padded on the left with zeroes	
Comments		200/alpha-numeric	Free form comment field.	

- **Process Diagram:**



- **General Process:**

1. The import is a user initiated process.
2. All files are imported from a shared network drive. The end user browses the network from the user interface and selects the directory in which the file is located on a shared network drive.

- **Lockbox Import Process:**

Village of Hanover Park, Illinois Investment Policy

I. Policy

It is the policy of the Village of Hanover Park to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village and conforming to all state and Village ordinances governing the investment of public funds.

II. Scope

This policy includes all Village funds with the exception of the Village of Hanover Park Police and Firefighters Pension Funds which are covered by their own separate investment policies.

Except for certain restricted special funds, the Village will consolidate cash and investments for all funds to maximize investment earnings and 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.

III. Objectives

Investment yield is of secondary importance to legality, safety, and liquidity. The primary objectives, in order of priority, shall be:

- 1. Legality:** The investment program shall be operating in conformance with federal, state and local requirements.
- 2. 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 will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer by:
 - Limiting investments to the types of securities listed in Section VI of this Investment Policy.
 - Pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Village will do business in accordance with Section IV.
 - 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 will minimize interest rate risk, which is the risk that the market value 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 funds, or similar investment pools and limiting the maximum maturity. The Village will not directly invest in securities maturing more than five years from the date of purchase unless matched to a specific cash flow.
- c. Custodial Credit Risk: In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. In order to avoid this risk, the Village requires the collateralization of public deposits whenever the amount on deposit exceeds the Federal Deposit Insurance Corporation's balance limitations.

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession on an outside part. The Village requires that its investments be held by an independent third-party custodian to eliminate this risk.

- 3. *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. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should include securities with active secondary or resale markets. A portion of the portfolio may be placed in money market funds or the government investment pool which offer same day liquidity.
- 4. *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 legality, safety and liquidity objectives. 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.
 - Liquidity needs of the portfolio require that the security be sold.

The portfolio should be reviewed periodically as to its effectiveness in meeting the Village's investment objectives and its general performance.

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 and overall portfolio. Finance Directors 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 change.

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.
- 3. Delegation of Authority:** Management and administrative responsibility for the investment program is hereby delegated to the Finance Director who, under the direction of the Village Manager, shall establish investment policies approved by the Village Board for the operation of the investment program.

The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. 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.

IV. Authorized Financial Institutions, Depositories, and Broker/Dealers

The Finance Director 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 creditworthiness. These may include primary dealers or regional dealers.

V. 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 designated by the Finance Director and evidenced a written custodial agreement.
- 3. Internal Controls:** The Finance Director is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of

the Village are protected from loss, theft, or misuse. Details of the internal control system shall be documented in an investment procedures and internal control manual and shall be reviewed and updated periodically. 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 judgements by management.

The internal controls shall address the following points:

- Control of collusion.
- Separation of transaction authority from accounting
- Custodial safekeeping.
- Clear delegation of authority to subordinate staff members.

VI. Suitable and Authorized Investments

- 1. Investment Types:** Investments may be made in any type of security authorized per Illinois Compiled Statutes regarding the investment of public funds.
- 2. Collateralization:** Collateralization of deposits by the financial institution is required for all demand deposit accounts, including checking accounts, money market accounts and certificates of deposits, whenever the total amount on deposit at that institution exceeds the limits established by the Federal Deposit Insurance Corporation. The collateral shall be held by an independent third-party institution in the name of the Village. A written collateralization agreement shall be executed by the financial institution, the custodial bank and the Village.

VII. Investment Parameters

- 1. Diversification:** It is the policy of the Village to diversify its investment portfolio to eliminate risk of loss resulting from the over concentration of assets in a specific maturity, issuer or class of securities. The Village shall diversify its investments to the best of its ability based on the types of funds invested and the cash flow needs of those funds. Diversification can by type of investment, number of institutions invested in, and the length of maturity.
- 2. Maximum Maturities:** To the extent possible, the Village shall 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 that five (5) years from the date of purchase. The Village Manager will be advised, in writing, of any investment to be purchased with a maturity of more than five years from the date of purchase.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds to ensure that appropriate liquidity is maintained to meet ongoing obligations.

VIII. Reporting

- 1. Methods:** The Finance Director shall prepare an investment report and submit it to the Village Manager monthly. The report shall be accompanied by a management summary that provides an analysis of the status of the current investment portfolio. The report will be available upon request to the President and Board of Trustees and will be in a format suitable for review by the general public. The report will include a listing of individual securities held at the end of the reporting period.
- 2. Performance Standards:** This investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a comparable rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established which may include the Illinois Funds rate, certificate of deposit rates and U.S. Treasury and Agency rates. The benchmarks shall be reflective of the actual securities being purchased.
- 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.

IX. Policy Considerations

- 1. Exemption:** Any investment currently held that does not meet the guidelines of this policy shall be temporarily exempted from the requirements of this policy and reported to the Village Manager. Investments must come in conformance with the policy within six months of the policy's adoption or the Village Manager must be presented with a plan through which investments will come into conformance.
- 2. Amendments:** This policy shall be reviewed on an annual basis. Any changes must be approved the Finance Director, Village Manager and President and Board of Trustees.

X. Investment Policy Adoption

The investment policy shall be approved and adopted by the President and Board of Trustees.

XII. List of Attachments

The following documents are attached to this policy:

- Village of Hanover Park Investment Procedures and Internal Controls Manual.
- Illinois Compiled Statutes Public Funds Investment Act