

City of Federal Way



Request for Proposal Banking Services 2007

Issue Date: February 21, 2007
Due Date: March 21, 2007 @ 1:00pm PST

**City of Federal Way
REQUEST FOR PROPOSAL**

I. PURPOSE OF REQUEST.

The City of Federal Way (“City”) is requesting proposals for its primary banking services. The City’s needs are outlined in the following Request for Proposal (“RFP”).

II. TIME SCHEDULE.

The City will attempt to follow this timetable, which should result in the implementation of a banking services agreement by July 1, 2007.

Event	Time	Day	Date
Issue RFP	-	Wed	February 21, 2007
Vendor Questions Due	4:00 pm	Wed	February 28, 2007
Pre-Submittal Conference	10:00 am	Wed	March 7, 2007
Proposal Responses Due	1:00 pm	Wed	March 21, 2007
Interview with Banks	-	Tue	April 10, 2007
Preliminary Selection of Firm	-	Wed	April 11, 2007
Recommendation to Council Committee	5:30 pm	Tue	April 24, 2007
Notify Firm Chosen	-	Mon	May 7, 2007
Council Approval	-	Tue	May 8, 2007
Transition & Testing Period (no compensation)	-	Mon	June 4, 2007
Effective Date of New Contract	-	Sun	July 1, 2007

III. INSTRUCTIONS TO PROPOSERS

A. All proposals and/or written questions regarding this RFP should be directed to:

Tho Kraus, Finance Manager	Phone: (253) 835-2520
City of Federal Way	Fax: (253) 835-2509
33325 8th Ave South	E-mail: tho.kraus@cityoffederalway.com
PO Box 9718	
Federal Way, WA 98063-9718	

B. All proposals must be in a sealed envelope and clearly marked in the lower left-hand corner: “RFP - Banking Services”.

C. All proposals must be received by March 21, 2007 at 1:00 pm. Five (5) copies of the RFP must be presented. No faxed or telephone proposals will be accepted. Late proposals shall be returned unopened.

D. Proposals should be prepared simply and economically, providing a straight forward, concise description of provider capabilities to satisfy the requirements of the request. Special bindings, colored displays, promotional materials, etc. are not desired. Emphasis should be on completeness and clarity of content. Use of recycled paper for requests and any printed or photocopied material created pursuant to a contract with the City is desirable whenever practicable. Use of both sides of the paper for any submittal to the City is desirable whenever practicable.

E. The Finance Manager or representative will notify the firm selected by May 7, 2007.

F. All proposals must include the following information:

1. The names of individuals who will be working on the proposed services and their areas of responsibility.
2. Specific experience of individuals relative to the request for proposal requirements.
3. Firm must operate an office within the city limits of the City of Federal Way, Washington. Please submit a copy of your City of Federal Way business license.
4. Provide specifications for automated service hardware and software capability proposed (i.e.: wire transfers, ACH debit/credit, daily balance reporting, etc.).

5. Describe the credit/debit card services provided. Include in the discussion the process for issuing and the use of corporate cards.
6. Provide a funds availability schedule. Describe one day, two day availability and wire requirements.
7. A detailed schedule of costs by specified task as identified in attachment "B" the proposed fee structure sheet. Volumes indicated on the proposed fee structure sheet are estimates and actual quantities may vary. Costs not included on the proposed fee structure, but which the financial institution/firm proposes to charge, must be individually itemized and thoroughly explained. Proposed fee structure must be executed by an official of the firm in a position to commit the institution to provide the services in accordance with these terms and conditions.
8. Describe the effective rate, method used and formula proposed to calculate the service charge credit for collected fund balances. Describe the interval/time frame proposed to pay any additional fees not offset by service charge credit (i.e.: monthly, quarterly, semi-annually, annually) and to what extent the service charge credit/debit from one period can be carried forward to the next period.
9. Identify the proposed compensation method (i.e.: compensating balances, straight fees, other method or combination thereof).
10. Describe the mechanism and fee for handling possible overdraft situations and identify a line of credit/overdraft interest charge formula and when it will be applicable. Describe what constitutes a daylight and overnight overdraft situation.
11. Describe the time lines associated with payroll direct deposits and if possible, alternatives to the standard time line, as well as the associated costs.
12. Discuss any special conditions, other fees, other services, or deviations from the bid specifications.
13. Describe your institution's community participation/reinvestment program.
14. Provide information on how your institution, in partnership with the City and local businesses, can facilitate economic development.
15. Provide the following reports and information about your institution:
 - a) Community Reinvestment Act (CRA) rating
 - b) On-line reporting sample reports
 - c) Analysis & bank statement
 - d) Safekeeping statement and receipts
 - e) Most recent financial statement
 - f) SEC and/or Moody's credit rating or comparable rating
16. Provide your Institution's contact name and phone number for each of the following areas: general banking services, safekeeping services, wire transfer services, ACH Direct Deposit, and local office/branch contact. It is the City's preference to have one contact person who will deal with other representatives at the institution to resolve any questions or concerns.
17. Provide at least five (5) references, including entity name, contact person, telephone number and services used. Municipal references preferred.
18. Execute contract upon award (see attachment C). Any modifications to contract must be noted in proposal.

G. Additional information requested:

1. Please describe the availability, date range available and data download/file transfer format of the following internet services. Identify any costs related to such internet services on Attachment "B". The City will consider the internet services availability in its selection of banking services but may choose to use none or any number of available services.
 - a) Account Administration
 - Ability to view and download transaction detail of all city accounts
 - Ability to view and print cancelled checks, deposit slips and/or other debit/credit documents scanned
 - Ability to view and print debit/credit activities in merchant services and credit card transactions
 - Ability to transfer/upload files for positive pay
 - Ability to transfer/upload files for payroll direct deposits

- Ability to receive account reconciliations and analysis data on-line
- Ability to retrieve and download current & prior period monthly statements on-line

b) Initiate On-line Banking Transactions

- Fund Transfers – ACH, Wires
- Stop Payments
- Payments to Credit Card accounts from checking account
- Transfers between funds
- Transfer funds to accounts at other banks

c) E-Commerce Capabilities:

Please describe on-line payment acceptance and payment settlement methods and costs. Specifically identify:

- Underwriting requirements
- Payment validation – credit card and/or check, method & scope of validation and costs
- Would on-line transfers & transactions for e-commerce require establishing separate merchant accounts or can this be handled with existing accounts

2. Describe the conversion plan you would coordinate to ensure a smooth transition from the current provider.
3. Describe any enhancements, technological or otherwise, that we should consider to improve operational or cash management efficiencies.
4. Describe your emergency preparedness and disaster recovery procedures. How quickly will backup facilities be activated?
5. Describe your ATM services and requirements.

IV. SELECTION CRITERIA

<u>Factor</u>	<u>Weight Given</u>
1. Responsiveness of the written proposal to the purpose and scope of service.	10%
2. Ability and history of successfully completing contracts of this type and meeting criteria established and experience in similar work; and capability to provide internet based services	40%
3. Price.	50%
Total Criteria Weight	100%

Each proposal will be independently evaluated on factors 1 through 4.

V. TERMS AND CONDITIONS

- A. The City reserves the right to reject any and all proposals, and to waive minor irregularities in any proposal.
- B. The City reserves the right to request clarification of information submitted, and to request additional information from any proposer.
- C. The City reserves the right to award any contract to the next most qualified firm, if the successful firm does not execute a contract by the proposed implementation date of July 1, 2007.
- D. Any proposal may be withdrawn up until the date and time set above for opening of the proposals. Any proposal not so timely withdrawn shall constitute an irrevocable offer, for a period of ninety (90) days to sell to the City the services described in the attached specifications, or until one or more of the proposals have been approved by the City administration, whichever occurs first.
- E. The contract resulting from acceptance of a proposal by the City shall be in a form supplied or approved by the City, and shall reflect the specifications in this RFP. A copy of the contract is available for review.

The City reserves the right to reject any proposed agreement or contract that does not conform to the specifications contained in this RFP, and which is not approved by the City Attorney's office.

- F. The City shall not be responsible for any costs incurred by the firm in preparing, submitting or presenting its response to the RFP.

VI. SCOPE OF SERVICES

As described in attachment A of this document.

VII. PRE-SUBMITTAL CONFERENCE

Attendance at the pre-submittal conference is strongly encouraged. Questions regarding the RFP and the services desired will be answered at this time.

Date & Time: March 7, 2007 @ 10:00am
Location: 2nd Floor, Hylebos Conference Room, Federal Way City Hall
33325 – 8th Avenue South, Federal Way, WA 98003

VIII. PUBLICATION

Name of Publication:	Dates:
Daily Journal of Commerce	February 21, 2007 & February 28, 2007
Federal Way Mirror	February 21, 2007 & February 28, 2007
City of Federal Way website	February 21, 2007 thru March 21, 2007

www.cityoffederalway.com/bids

Attachment A

Scope of Services

GENERAL INFORMATION

The City of Federal Way is soliciting proposals for a primary banking relationship with a Financial Institution or Firm which operates an office within the city limits. The City will be contracting for the following general services for a four year period beginning July 1, 2007 and ending June 30, 2011. At the City's option, an extension, no longer than one year, will be permitted with the same terms and conditions of the original contract and as it is amended.

- Demand deposit checking accounts
- Overdraft protection
- Trust & escrow agent services
- Investment safekeeping services
- Miscellaneous other services
- Credit/debit card acceptance
- Corporate credit cards
- Electronic funds transfer (ACH, wire)
- Banking supplies
- Payroll direct deposit

Federal Way utilizes a check system, as opposed to warrants. The City anticipates that proposed banking services will be compensated by the credit earned on average collected balances, but is also willing to consider other options.

Federal Way is interested in internet services including but not limited to: account reconciliation, check image retrieval, account analysis, on-line transactions and e-commerce. Details of internet services information requested is identified in section G of this RFP. The City will consider internet services available in the selection process but may elect to use none or any number of such services available.

SERVICES REQUIRED

Checking Accounts: The City currently utilizes three checking accounts: 1) the primary checking account, which includes accounts payable & payroll check processing; 2) an account for the Municipal Court and 3) an advance travel account. The institution will furnish the City with additional checking accounts as needed. Currently, City staff picks up from several locations and delivers the deposit to the institution's branch once each workday, for processing and credit to the City's account that day. NSF checks must be processed twice before being returned to the City. The basic checking account services should at least consist of:

- Provide month-end statements by the 15th day of the following month and provide statements to various auditors upon request;
- Electronic check image retrieval on cd monthly including necessary software;
- Provide individual and consolidated monthly account analysis for all accounts by the 15th day of the following month;
- Provide an automated wire transfer system for transferring money to other institutions, along with appropriate security levels for wire transfer initiations and approvals;
- Provide computer balance reporting system, with information on collected, available and closing balances, as well as details of all debits and credits posted to the account for the previous day, by 8:00 a.m. each business day;
- Provide a reporting system that shows current day ACH credits, by 8:00 a.m. each business day. Currently the City receives property tax distributions daily through the ACH system and needs the current day information every morning to assist in making our investment decisions;
- Provide support in answering questions, trouble shooting problems and resolving issues in a prompt manner;
- Provide means to inquire about canceled checks and stop payment on checks upon proper authorization.

Overdraft protection: Although the City will attempt to minimize daylight and overnight overdraft situations, it recognizes that there are times these situations will occur. It is anticipated these overdraft situations will not exceed \$2 million, if and when they do occur.

Trust and Escrow Agent Services: The City may require trust and escrow agent services to hold letters of credit and other third party commercial documents. The institution will, in most cases, be required to take physical custody of these securities, notify the Parties of their expiration thirty days prior to termination of the agreement and accept renewal or replacement of instruments.

Safekeeping Services: The institution will be required to provide safekeeping facilities and services for the City's investment securities. Required safekeeping services include (but are not limited to):

- receive/deliver securities on a delivery versus payment method;
- protect the City's assets;
- collect coupon bond interest;
- provide delivery confirmation on new security purchases;
- provide a monthly statement of holdings;
- register or transfer securities;
- verify holdings as of specific dates for audit purposes;
- credit the City's account for interest and principal payments on the day received;
- provide maturity and interest payment notices at least 5 days prior to payment date

The City currently invests in Bankers Acceptances, U.S. Treasury and Agency securities, that require safekeeping services. The City may invest in other securities allowed by Washington State Statute in the future. The successful bidder will be required to comply with all State and Federal regulations regarding safekeeping of municipal securities.

Banking Supplies: The institution will be required to provide a supply of coin rollers, security bank bags, deposit slips, advance travel and other miscellaneous checks, and endorsement stamps for each location (see Attachment B for the number of endorsement stamps needed). The cost of such supplies shall be charged to the City's account.

Direct Deposit for Payroll: Federal Way offers and encourages direct payroll deposit for its employees. The City pays its employees semi-monthly on the 5th and 20th. On an average payroll, 320 employees receive direct deposit, which generates approximately 450 transactions per pay period due to many employees having multiple bank account transfers.

Currently, the City transmits the payroll data to the institution via internet one working day prior to payday. Deposits must be made into the employees' account by 8:00 a.m. on payday. Any deviation from these time limits must be stated in the proposal.

Credit/Debit Card Services: The institution will provide the City with the ability to accept payment through the use of credit/debit cards. The City currently accepts Mastercard and Visa credit cards for collection of recreation fees and court fines, but has considered expanding this service for other types of collections. The City currently has four accounts that accept credit cards, including one for on-line e-commerce transactions, with the possibility of more in the future. The City will be credited daily for the gross amount of the bank card transactions. Any sales discount fee or percentage proposed will be billed at the end of each month as part of the activity charges.

Corporate Credit Cards: The City also utilizes credit cards for travel and other purposes and would require the institution/firm to itemize the cost for issuing credit cards to the City and associated annual fees and rates. Currently the City has two Visa Accounts and five cards issued for each account in the City's name shared by multiple employees. Variation from this Corporate Card set up must be described in the proposal.

Data Equipment Compatibility: The City heavily relies on on-line transactions and wishes to ensure equipment and data compatibility and therefore requests the specifications needed for an automated wire transfer, ACH debit & credit, credit card, balance reporting and any other automated systems be included in this proposal. Any costs associated with automated data and equipment should be identified in "Attachment B".

Miscellaneous Services: In addition to the requirements listed above, the proposal shall identify proposed fees for the following services:

- Safe deposit box facilities;
- Other services provided by your institution that would be beneficial to the City of Federal Way, but has not specifically been addressed. Please itemize on "Attachment B".

Services Not Provided: In the event that the primary proposing institution does not provide all requested services included in this RFP, the institution will submit as part of its proposal additional partners/providers whom do provide these services. It is the sole responsibility of the primary proposer to secure and maintain the relationship with any additional providers. The primary proposer, at the time of bid submittal will identify all secondary providers.

Attachment B Proposed Fee Structure

The items listed are current ongoing services and reflect the current service provider's terminology. Also included is transition/setup costs. Estimated volume is intended to serve as a guide only and not a guarantee of minimum or maximum activity. Please provide proposed fee structure for the services identified in this attachment and any other services and/or fees proposed. Provide more detailed cost data under each description if needed. Indicate which services require direct payment (hard dollars). All other services will be assumed to be paid through service charge credit.

Item Description	Estimated Monthly Volume	Unit Price	Monthly Cost	Explanation
<i>Ongoing Current Services:</i>				
<i>On-Line Banking Services</i>				
Current Day Account	3			
Change Fee	1			
Current Day Module	1			
Current Day Detail Transactions	470			
Payment Module with Reporting	1			
Prior Day Account	3			
Prior Day Module	1			
Prior Day Detail Transaction	1,038			
Online DDA Statement	3			
Access Token	6			
Book Transfer Debit Fee	5			
Customer Initiated Stops	2			
Check Services Monthly Client Maint-1 st	1			
Check Services Monthly Client Maint-Next	2			
Photocopy Request-Item	2			
<i>Supplies:</i>				
Security Bank Bags for Deposits	60			
Deposit Slip Books	1			
<i>Deposits and Disbursements:</i>				
Electronic Credit Item	115			
Paper Credit Items	123			
Deposited Checks-Local	1,020			
Deposited Check-On US	164			
Deposited Item-Regional	242			
Deposited Checks-Transit	400			
Deposited Items Returned	9			
Redeposited Returned Item	1			
Electronic Debit Items	18			
Paper Debit Items	720			
Check/Deposit Ticket Order	355			
Copy of Check/Deposit Ticket	1			
Stop Payments-Manual	2			
Account Inquiry	1			
FDIC Deposit Insurance	1,340			
<i>Coin/Currency Services:</i>				
Cash Deposited-Per \$100	667			
Coin Deposited Per Roll	16			
Loose Currency Ordered Per \$100	3			
Coin Rolls Ordered Per Roll	2			

Image Services:				
Image Services Per Item Charge on CD	691			
Image CD Rom	1			
Web Image Monthly Maintenance	1			
Web Images Retrieved	1			
Fraud Prevention:				
Positive Pay Maintenance	1			
Positive Pay Only Item	22			
Positive Pay Items Manual Input	43			
Positive Pay Fax Report Monthly Maintenance	1			
Wire Transfer:				
Wire Transfer In	2			
Wire Transfer Out-Federal Non-Repetitive	3			
Wire Transfer Out-Domestic Non-Repetitive	3			
Wires Monthly Client Maintenance	1			
Maintenance Terminal Wire Module	1			
ACH Transaction:				
Fed Received ACH Credit	50			
Fed Received ACH Debit	6			
ACH Originated On-US Item	40			
ACH Payroll Processing-1 Day Settlement	2			
ACH Originated Fed Item	890			
ACH Return Items	1			
ACH Filter (Fraud Protection) Maintenance	1			
ACH Maintenance	1			
ACH Item Adjustment Report Request	2			
ACH Notification of Change	4			
ACH Return/NOC Faxed	3			
ACH Received Addenda Item	1			
Corporate Credit Card:				
Credit Card Annual Fee-2 Account/5 Cards each	2			
Merchant Services:				
Credit Card Acct/Equipment/Connect/Stmt	4			
Qualified-\$-discount rate	\$37,004			
Qualified-# of transactions-per item fee	185			
Mid-Qualified-\$-discount rate	\$2,257			
Mid-Qualified-# of transactions-per item fee	6			
Non-Qualified-\$-discount rate	\$7,289			
Non-Qualified-# of transactions-per item fee	13			
Rewards Program-\$-discount rate	\$25,266			
Rewards Program-# of transactions-per item fee	333			
Internet-Monthly Volume-discount fee	\$484			
Internet-Transactions-per item fee	9			
Safekeeping:				
Maintenance Charge	1			
Maturities/Calls	1			
Investment Settlement (DVP)-Trade	1			
Overdraft Protection:				
Overdraft Rate-Overnight	13,889			
Overdraft Charge Per Item	1			
Earnings Credit:	1,500,000			
Subtotal Ongoing Services				
Transition/Setup Costs:				

Account Reconciliation/Positive Pay Setup	1			
CD-ROM Software	1			
Endorsement Stamps	6			
Merchant Services Setup Fee	1			
<i>One-Time Credit Toward Service Costs</i>	1			
First Year Earning Rate for 1st Year Costs	1,500,000			
Total Startup/Transition Cost				
Grand Total				

FORMULAS

Daylight Overdraft: _____

Overnight Overdraft: _____

Short-Term Financing: _____

FDIC Insurance: _____

Service Charge Credit: _____

The undersigned, an institution or firm maintaining branch/office operations within the city limits of Federal Way, Washington, submits the following proposal for the City's banking services for the period July 1, 2007 through June 30, 2011:

AUTHORIZATION:

Institution Name

Date

Mailing Address

Phone Number

City, State, Zip

Fax Number

By

Title

Contact Name (if different from above)

Contact Phone Number

ATTACHMENT C

AGREEMENT BETWEEN THE CITY OF FEDERAL WAY AND BANK FOR BANKING SERVICES

THIS AGREEMENT, made and entered into this 1st day of July, 2007, by and between the City of Federal Way, a Washington municipal corporation ("City"), and Bank, a Washington state chartered Banking association ("Bank").

ARTICLE 1. GENERAL CONTRACT PROVISIONS

Section 1.01. Term of Agreement

The initial term of this Agreement shall be for four (4) years commencing July 1, 2007 and terminating June 30, 2011. City shall have the option of extending the Agreement for an additional one (1) year term. All terms and conditions of this Agreement shall apply during each such additional term, except where modified pursuant to Section 4.04 below.

Section 1.02. Compliance with Deposit Ratios Set by Law

Bank covenants that at all times during the term of this Agreement it will maintain the ratio of its aggregate deposits held for City and for other public agencies within the limits specified by law, and that at any time when Bank must reduce the aggregate deposits held by it for public agencies in order to comply with the provisions of law, that Bank will accord the deposits of City under this Agreement the highest priority in favor of retention by Bank, consistent with the requirements of law. In addition, and consistently with the foregoing sentence, Bank, at all times hereunder, shall maintain its capital structure at a level at least sufficient to support the deposit of Five Million and 00/100 Dollars (\$5,000,000.00) by City.

Section 1.03. Compliance with Applicable Law

Bank covenants that it will comply, in all respects, with all applicable provisions of law, regardless of whether such provisions are specifically covered in this Agreement.

Section 1.04. Location Within City Limits

Bank shall maintain at least one (1) branch office within Federal Way city limits and shall provide ninety (90) days written notice prior to the closing of any branch office located in the Federal Way city limits .

Section 1.05. Community Reinvestment Act (CRA) Rating

Bank shall maintain a CRA rating of at least "Satisfactory". Bank shall provide written notification to City's Management Services Director within ninety (90) days of receiving an updated CRA rating.

Section 1.06. Compensation

For and in consideration of its services rendered under this Agreement, Bank shall be compensated yearly in accordance with the "Compensating Collected Balance" formula set forth in Exhibits A and B attached hereto and incorporated herein by this reference.

Section 1.07. Insurance Requirements

A. Insurance Policies and Bonds Required.

For the full term of this Agreement or any renewal thereafter, Bank shall obtain and maintain, at its sole cost and expense, the following minimum insurance and bond requirements prior to commencing any work or activities, or receiving any payments therefore under this Agreement:

1. A Financial Institution Bond, Standard Form Number 24 or its reasonable equivalent, with minimum limits of not less than Three Million and 00/100 Dollars (\$3,000,000.00). Such coverages should include, minimally:
 - (a) Fidelity coverage;
 - (b) On-premises coverage for loss or damage to property;
 - (c) Counterfeit currency coverage;
 - (d) Negotiable items;
 - (e) In-transit coverage;
 - (f) Forgery or alteration coverage;
 - (g) Securities coverage; and
 - (h) Wire transfers of money or any other financial instrument.
2. Workers' Compensation and Employers' Liability insurance coverage in amounts sufficient pursuant to the laws of the State of Washington.

B. Endorsements.

The following endorsement is required to be made a part of each of the above required policies and bonds as stipulated below:

Reasonable prior written notice of cancellation shall be given to the City of Federal Way in the event of cancellation, reduction in coverage, and/or non-renewal of any nature. Such notice shall be sent to:

Management Services Director
City of Federal Way
Management Services Department
PO Box 9718
Federal Way, Washington 98063-9718

C. Proof of Insurance.

A certificate of insurance evidencing such coverage shall be furnished to City prior to commencement of this Agreement as Exhibit F, and a complete copy of all applicable insurance policies, including all endorsements covered in subsection B. above, will be furnished to the City upon request.

Section 1.08. Termination of Agreement

City, acting through its Management Services Director, shall have the right to terminate this Agreement at any time by providing written notice to Bank ninety (90) calendar days prior to the requested date of termination.

In the event of termination of this Agreement, Bank shall transfer to City or to City's designee, all money, securities, and other property held in any account maintained for City hereunder. If termination is at the request of City, Bank shall charge all expenses incident to the transfer of money, securities, and other property held in City's accounts to such accounts. If termination is at the request of Bank, or upon the expiration of the term of this Agreement pursuant to Section 1.01 above, such charge shall be at Bank's sole expense.

ARTICLE 2. DEPOSITORY SERVICES

Section 2.01. Designation of Bank as City Depository

City hereby designates Bank to serve as the depository of City pursuant to the terms of this Agreement and applicable law. Bank accepts designation and agrees to serve as the depository of City and to said terms.

A. Duration.

Bank shall serve as such depository for the initial term and for any additional term of this Agreement.

B. Interest on Compensating Balance Not Payable.

CITY shall receive the Banking services specified in this Agreement in lieu of interest on the compensating collected balance in the accounts maintained hereunder.

C. Compliance with Collateralization Requirements.

BANK shall comply with all State and Federal laws and regulations, specifically Chapter 39.58 RCW and WAC 389-12, relating to collateralization requirements for deposits as administered by the Washington State Public Deposit Protection Commission.

Section 2.02. Depository Requirements

In consideration of City's designation of Bank as its depository, Bank agrees to render the following depository services to City in connection with such active (demand deposit) accounts as the Management Services Director shall, from time to time, establish. Bank shall honor only those instruments signed by authorized signers as set forth in Exhibit C, "Authorized Personnel", attached hereto and incorporated herein by this reference.

Each service listed in this Section shall be performed as specified in this Agreement.

A. Deposit Services.

All deposits received during normal business hours shall be given ledger credit for that same day. Any deposits not credited to City on the appropriate day must be back-valued on the account analysis for that month.

Bank shall accept and credit all deposits received from citizens, private corporations or any other depositor(s) in City's name to City's account. Bank shall provide City, on a

daily basis, a detailed analysis of the deposits. This detailed analysis will include the name of contributor, amount of contribution, and the project with which the contribution is associated.

B. Credit Card Payments.

Bank shall provide the capability to process credit card payment transactions (Visa and Mastercard) for City at the discount rate set forth in Exhibit B. Bank shall apply any charges to City's account analysis, not by separate billing. Bank shall provide reporting capability for each day's transactions.

C. Advance of Uncollected or Overdrawn Funds.

Bank shall provide an overdraft line of credit (interest rate and limit as provided in Exhibit A) in the unlikely event that one of City's accounts becomes overdrawn.

D. Returned Check Processing.

Bank shall automatically process returned checks twice if the instruments are initially dishonored due to "NSF" or "Return to Maker" or other similar notations. See Exhibit B for Bank charge.

E. Electronic Funds Transfer Services.

1. Wire Transfers - see Exhibit D, "Wire Transfer Authorization", attached hereto and incorporated herein by this reference.

2. Automated Clearing House (ACH) Transfers.

a. Authorizations

Bank shall execute ACH transfers upon the authorization of a designated employee as identified in Exhibit C.

b. Direct Deposit.

City encourages all full-time City employees to participate in a direct deposit program for payroll. City pays its employees semi-monthly, on the 5th and 20th of each month (or the Friday prior to those dates if they fall on a weekend or holiday).

Bank shall provide an automated means for City to transmit the payroll to Bank for transmission through the ACH system.

City shall transmit the payroll one day prior to the designated payday. The amount for each employee must be deposited as good funds in each employee's receiving depository institution on the designated payday in accordance with NACHA Rules and Regulations.

Bank shall provide to City a means to verify immediately upon transmission that the transmission has been successful. Bank shall immediately notify the appropriate City employee (see Exhibit C) upon learning of any failed direct deposits. In the event of any failed direct

deposits, Bank shall rectify the situation and compensate City for any loss that occurs as a result of this failure within 24 hours. In successful transmissions, good funds are available by 8:00 AM.

F. Safe Deposit Facilities

Bank shall provide reasonable safe deposit facilities free of charge as City requires, provided that the location of such facilities shall be at a Federal Way Branch designated by Bank.

G. Stop Payment Services

Bank shall provide a means for the City to inquire about canceled checks. Bank shall stop payment on checks issued by City upon proper authorization in accordance with Exhibit C. If Bank fails to execute a stop payment after authorization is provided, Bank shall compensate City for the amount of the check.

H. Lock Box Service

Bank shall provide a lock box system if City requests the service, the terms of which to be negotiated at the time of the request for said service.

I. Other Services.

1. City may require escrow agent services to hold letters of credit and other three-party documents. Bank shall take physical custody of these securities and notify City thirty (30) calendar days prior to each respective expiration date.
2. Bank shall provide cashier's checks and/or money orders as City requires. After verifying that there are good funds available, Bank shall charge City's account for the face amounts of these items; Bank shall not require a City check.
3. Bank shall provide coin sorting and wrapping services, coin purchases, currency purchases, coin bags, bag seals, coin wrappers, cashier's checks, money orders, etc. as set forth in Exhibit B.
4. Bank shall periodically provide updated training and information on measures which both Bank and designated City employees must take in order for City to access funds and property in the event of any degree of an emergency.
5. Bank shall provide updated training and information on the capabilities of U.S. Bank Connections Web and/or other software it supports for the benefit of Bank's customers at the earliest time such is available.

Section 2.03. Account Maintenance Services

Bank shall provide City the account maintenance services listed in this Section.

A. Schedule for Providing Reports and Information

Bank shall provide City the reports and financial data identified below in accordance with the following schedule:

<u>Report or Data</u>	<u>Deadline</u>	<u>Additional Instructions</u>
1. Monthly account analysis, by account and summary	No later than the 20th of the month	Provide to authorized City employee (see Exhibit C)
2. Automated retrieval of account balances and detail information for previous day's transactions	No later than 8:00 AM each morning	Bank must fax or deliver to authorized City employee if system is down (see Exhibit C)
3. Automated detail of all ACH and wire transfers for previous day	No later than 8:00 AM each morning	Provide to authorized City employee (see Exhibit C)
4. Automated detail of all ACH transfers that will occur that day	No later than 8:00 AM each morning	Bank must fax or deliver to authorized City employee if system is down (see Exhibit C)
5. Monthly Bank account statement	No later than the 10th of the month	Provide to authorized City employee (see Exhibit C)
6. Automated access to information for incoming wire transfers that occur on same day	Upon request by an authorized City employee (see Exhibit C)	See Exhibit C

NOTE: If the daily account balance and detail information is not available by any mode of communication by the specified time, City personnel will estimate the account balances and invest surplus funds according to their best estimates of the account balances. In those cases, City shall not be charged or penalized if an overdraft results from overestimated balances.

B. Printing.

Bank shall provide checks and deposit slips upon request by City. (see Exhibit C).

C. New Accounts.

Should City require additional accounts or services during the term of this Agreement, those new accounts or services shall be provided under the same terms and conditions as existing City accounts. If the Federal Reserve or other regulatory bodies provide for the establishment of new accounts or other regulations favorable to City, Bank shall make those new services available to City.

D. Access to Records and Cooperation.

Bank shall allow lawful and reasonable access to its records by City. For those cases in which state or federal assistance is involved, the same access shall be permitted for state or federal auditors who wish to examine records relating to the use of City funds. Bank shall also cooperate in any prosecution for the misuse of checks and misappropriation of City funds.

E. Resource Personnel.

Bank shall indicate the primary resource personnel who will service City's accounts. At least one (1) Bank officer must be designated for communications purposes. Bank shall provide City with a toll-free or WATS telephone line to the servicing operations department, investment department, and custody securities clearance department.

Bank shall identify data processing liaison staff members as well. If a conversion process is necessary, Bank shall provide support to accomplish the conversion.

F. Training.

Bank shall provide thorough training and ongoing support for the software used to retrieve account information, wire transfer funds, and transmit the direct deposit.

G. Account Reconciliation.

Upon request by City, Bank shall provide account reconciliation in the format specified by the City.

ARTICLE 3. CUSTODIAL SERVICES

Section 3.01. Custodial Services

Upon written request by City, Bank shall establish for City a custodial account and such subordinate separate custodial accounts as City may direct (hereinafter "Custodial Accounts"). Bank shall be under no duty to take or omit to take any action with respect to cash and/or securities held in such Custodial Accounts, unless specifically otherwise directed by City and agreed to by Bank in writing. The Management Services Director or her/his designee is authorized to deposit City property in such Custodial Accounts and otherwise to represent City in respect thereto (see Exhibit E attached hereto).

Section 3.02. Bank's Duties as Custodian

Bank shall keep the deposited property; collect and receive the income and principal; and hold, disburse or otherwise dispose of the property or its proceeds, as hereinafter provided. City shall be responsible for money or other property paid or delivered to any broker or other person at the specific direction of City.

Section 3.03. Responsibility for Safekeeping

On receipt of bonds or other securities lodged with Bank for safekeeping, and upon Bank's issuing its non-negotiable advice of receipt therefore, Bank assumes full responsibility for the safekeeping thereof while the same are in actual possession by Bank's depositories (including any subsidiary of Bank), officers and employees, except for losses from causes beyond its control. Losses beyond its control shall mean only loss or damage resulting from war, insurrection, military, naval or usurped power, hurricane, cyclone, tornado, earthquake, volcanic eruption or similar disturbances of nature, or nuclear fission, fusion or radioactivity. Bank shall be responsible for losses due to negligence in selecting the agency which transports the securities and for losses due to theft, robbery or larceny while the securities are in transit.

Section 3.04. Property Not to be Commingled

Bank agrees that City's property deposited with Bank is not fungible and that it may not be commingled with the property of the Bank or other customers, unless specifically authorized by designated City employees (see Exhibit C).

Section 3.05. Investment Management

Bank shall have no duty to service, recommend or advise City with respect to the investment, purchase, sale, retention or other disposition of any property held hereunder unless provided for by separate written agreement.

Section 3.06. Authority of Bank to Act Upon Instructions

Unless otherwise instructed in writing by a duly designated officer of City, Bank is authorized, directed, and instructed to act upon all instructions by the person or persons designated to sign checks, drafts or other orders for the payment of money in connection with City's Custodial Accounts and, without instructions from any such person or persons, Bank is authorized, directed, and instructed to receive any securities tendered for City's Custodial Accounts without payment therefore being requested. If City so requests, Bank shall furnish for the mutual convenience of City and Bank, a test key for purposes of identification in all telegraphic, telephone, cable or radio orders. Bank shall recognize a proper resolution or ordinance of the governing body of City granting authority to specific officers or their successors in office, or limiting the authority of specified officers or their successors in office, provided Bank is furnished with a certified copy of such resolution or ordinance by City.

Section 3.07. Delivery of Eligible Transactions

In complying with instructions for delivery of eligible transactions, Bank will make deliveries through the Federal Reserve System or physical delivery to the account, pursuant to (a) Subpart 0 of the Treasury Department Circular #300 (31 Code of Federal Regulations, Part 306) and operating circulars of the Federal Reserve Bank of San Francisco and New York, as both may be amended from time to time.

Section 3.08. Delivery Versus Payment

BANK will not make any delivery of City's property without prior or simultaneous verification that the corresponding payment has been received. Bank will not release any payment without prior or simultaneous verification that the corresponding property has been received for City's account.

Section 3.09. Receipt by Bank

Unless otherwise instructed by City, Bank shall receive any money or property, including interest, due and payable from or on account of the securities and other property in City's Custodial Accounts.

Section 3.10. Crediting of Income

The proceeds of sales, redemption's and collections, and other receipts shall be credited to City's Custodial Accounts upon collection. Interest income shall be credited to City's Custodial Accounts on the date due or payable.

Section 3.11. Confirmations

All confirmations and transaction statements produced by the City and the Bank are subject to the terms of this Agreement. In the event of any conflict between the terms of such confirmations and this Agreement, this Agreement shall prevail. Bank shall cause those securities safekept at any correspondent depository or depositories of Bank (including any subsidiary of Bank) to be confirmed by the correspondent institution or institutions in order to perfect City's interest in the securities held therein. Confirmations to City shall be addressed to the designated City employee identified in Exhibit C.

Section 3.12. Distributions from Custodial Accounts

Bank shall promptly pay or deliver money or property held in the Custodial Accounts in accordance with the instructions of the Management Services Director or her/his designee.

Section 3.13. Monthly Statement; On-Line Access

Bank shall furnish City a statement, at least once a month, in a form that will enable City to follow all investment activity, including interest income received, and that will provide City with a complete list of assets in the Custodial Accounts. Bank shall provide City on-line viewing access to the Custodial Accounts via Bank's own system at no additional charge to City.

Section 3.14. Repurchase Agreements

In the event of the insolvency of the other party to one of City's repurchase agreements, Bank shall release the securities only to City unless otherwise ordered by a court of competent jurisdiction. The City does not currently use this option.

Section 3.15. Property Not Subject to Attachment

Bank certifies to City that in the event a third party attempts to or does effect an attachment of property of City held by Bank under this Agreement on account of an obligation owing to such third party by Bank or Bank's subsidiary, or Bank or Bank's subsidiary becomes a debtor in Bankruptcy, neither of these events will impair or modify the right, title, and interest of City, in and to such property and its proceeds. Bank will indemnify City, without limitation, for all costs incurred by City as a result of any attempted or actual attachment of City property as described herein.

ARTICLE 4. MISCELLANEOUS PROVISIONS

Section 4.01. Notices

All notices pertaining to the contract rights of City and Bank hereunder shall be given in writing and delivered via certified mail, postage prepaid, addressed as follows or as the parties may otherwise designate:

To City:	Management Services Director City of Federal Way Management Services Department PO Box 9718 Federal Way, Washington 98063-9718	To Bank:	
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Bank shall provide written notice to City within ten (10) business days of major changes in Bank's organization, such as change of corporate control.

In the event City or Bank shall determine that an emergency exists, City or Bank may use such other means of communication as is deemed advisable; however, immediately thereafter, written communication shall also be sent.

Communications regarding the day-to-day performance of the Banking services covered by this Agreement shall be given in the manner specified herein, and where not specified, they shall be given in the manner agreed upon by the City and Bank.

Section 4.02. Financial Reports

As an initial requirement, Bank shall provide copies of its call reports for the past two (2) years. Call reports are defined as the quarterly Consolidated Report of Condition and Consolidated Report of Income. Bank shall also provide its annual financial reports for the past three (3) years. Bank shall continue to provide updated issues of each report specified above, in a timely manner, during the term of the Agreement. Specifically, quarterly reports shall be forwarded within thirty to forty-five (30 to 45) days of the end of the reporting period. Annual reports shall be forwarded within ninety to one hundred twenty (90 to 120) days of the end of the reporting period. All reports required in this Section shall be sent to CITY in care of the Management Services Director.

Section 4.03. Law to Govern

This Agreement shall be governed by the laws of the State of Washington. In the event of any dispute arising from this Agreement, the parties stipulate to the venue of King County Superior Court.

Section 4.04. Amendment

This Agreement may not be modified or amended, in whole or in part, except by written instrument executed by both parties.

Section 4.05. Assignment

Bank shall not assign or transfer any rights, duties or obligations under this Agreement to any other person without the prior written consent of City. Any attempt to so transfer or assign any rights, duties or obligations shall be grounds for immediate termination of this Agreement at City's sole discretion.

In carrying out its duties hereunder, Bank shall make reasonable effort to select and use facilities, equipment, personnel, and third party providers as it deems necessary or desirable to perform the required services and shall exercise the same level of care it exercises in the conduct of its own Banking operations. Bank's duties are limited to those set forth herein or as otherwise imposed by law. Bank's liability under this Agreement shall be limited to actual damages sustained by the City and only to the extent such damages are a direct result of Bank's negligence, bad faith, willful misconduct or other breach of this Agreement. Bank shall not be liable for damages caused by any third party, unless Bank has been negligent in the selection or supervision of such party. In no event shall Bank be liable for special, incidental, punitive or consequential loss or damage of any kind, including but not limited to damages for lost profits and regardless of whether Bank has been advised of the possibility of such loss or damage. Bank's duties hereunder are for the benefit of City only and no third party benefit is intended or implied by this Agreement. Bank shall not be liable for any damages or non-performance caused or related to any event beyond its reasonable control (such as fire, casualty, equipment failure, strike, riot, war or Act of God).

Section 4.06. Paragraph and Section Headings

Paragraph and section headings contained in this Agreement are for convenience and reference, and are not intended to define or limit the scope of any provision of this Agreement.

Section 4.07. Entirety

This Agreement and Exhibits A thru E, attached hereto and incorporated herein, constitute and contain the entire agreement of the parties and supersedes any and all prior negotiations, correspondence, understandings, and agreements between the parties respecting the subject matter hereof.

Section 4.08. Filing

A copy of this Agreement shall be filed with the City Clerk of City.

Section 4.09. Equal Opportunity Employer

In all Bank services, programs or activities, and all Bank hiring and employment made possible by or resulting from this Agreement, there shall be no discrimination by Bank or its representatives against any person because of sex, age (except minimum age and retirement provisions), race, color, creed, national origin, marital status or the presence of any disability, including sensory, mental or physical handicaps, unless based upon a bona fide occupational qualification in relationship to hiring and employment. This requirement shall apply, but not be limited to: employment, advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. Bank shall not violate any of the terms of Chapter 49.60 RCW, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1973 or any other applicable federal, state or local law or regulation regarding non-discrimination. Any material violation of this provision shall be grounds for termination of this Agreement by the City and, in the case of a breach by the Bank, may result in the ineligibility of future agreements with the City.

Section 4.10. Confidentiality

All information regarding City obtained by Bank in performance of this Agreement shall be considered confidential. Breach of confidentiality by Bank will be grounds for immediate termination.

Section 4.11. Full Force and Effect

Any provision of this Agreement which is declared invalid or illegal shall in no way affect or invalidate any other provision hereof and such other provisions shall remain in full force and effect.

Section 4.12. Attorney Fees

In the event either of the Parties defaults on the performance of any terms of this Agreement, places the enforcement of this Agreement in the hands of an attorney or files a lawsuit, each Party shall pay all its own attorney's fees, costs, and expenses. The venue for any dispute related to this Agreement shall be King County, Washington.

Section 4.13. No Waiver

Failure or delay of City to declare any breach or default immediately upon occurrence shall not waive such breach or default. Failure of City to declare one breach or default does not act as a waiver of City's right to declare another breach or default.

Section 4.14. Performance

Time is of the essence of this Agreement and each and all of its provisions in which performance is a factor. Adherence to completion dates set forth in the description of the Services is essential to Bank's performance of this Agreement.

Section 4.15. Remedies Cumulative

Any remedies provided for under the terms of this Agreement are not intended to be exclusive, but shall be cumulative with all other remedies available to City at law, in equity or by statute. In no event will either party be liable for consequential or punitive damages. Bank's liability for delay in transactions will be limited to compensating City for the time value of its money at a rate equal to the earnings allowance.

WITNESS THE EXECUTION of this Agreement this ____ day of _____, 2007.

CITY OF FEDERAL WAY

By: _____
Neal Beets, City Manager
33325 8th Ave South
Federal Way, WA 98003

ATTEST:

City Clerk, Laura Hathaway, CMC

APPROVED AS TO FORM:

City Attorney, Patricia A. Richardson

BANK

By: _____
(Signature)

(Name)

Its _____

Agreed upon Exhibits will be added. They will include at least the following:

Exhibit A --Compensating Collected Balance Formula

Exhibit B --Compensation (Listing all charges)

Exhibit C --Authorized Personnel

Exhibit D --Wire Transfers

Exhibit E --Safekeeping Agreement

Exhibit F --Certificate of Insurance