



Bank Depository Contracts

Laws and Procedures

Finance Council Advisory Meeting
February 24, 2017



THE LAW (TEC Chapter 45 Subchapter G)

- School depository may be selected only as provided by TEC 45.206
- District must use a uniform bid or proposal blank in the form prescribed by SBOE rule TAC 109.51
- Contract must be renewed every two years
- Must coincide with fiscal year



Institutions Authorized to Serve as Depositories

- Only a Bank
- Defined as a bank, a savings and loan association, or a savings bank organized under the laws of this state another state or federal law
- Main office or branch office in this state
- Deposits must be insured by FDIC



Term of Depository Contract

- Term of 2 year and
- Until a successor is selected and has qualified
- Both agree to extend for two additional two year terms
- District must submit a completed and signed board resolution form



Selection of Depository

- 60 days before current contract expires choose method of procurement
- Competitive bidding or through request for proposals
- 30 days before termination of contract must mail to each bank located in the district notice stating time and place
- At least two banks must receive bid notice in every case.



Selection of Depository

- Notice must include uniform bid or proposal blank forms
- District may add other terms
- Do not unfairly restrict competition
- Board member is a stockholder, director, employee of bank – may not vote
- Tie Bids Options
 - By Lot
 - Award contract to each of the banks



Selection of Depository

- Highest and Best Bid or highest ranked proposal board must consider;
 - Interest rate on time deposits
 - Charges for keeping district accounts, records and reports and furnishing checks
 - Ability of the bank submitting the bid or proposal to provide the necessary services
 - Perform the duties as depository
 - Any other judgment of the board would be in the best interest of district
 - Board has right to reject any and all bids or proposals



Selection of Depository

- District may select more than one depository
- Bank must make and enter into a depository contract setting forth duties and responsibilities



TEA – Required Documents and Procedures

- District required to file; Via TEASE
 - Depository contract
 - Accepted bid or proposal
 - If applicable surety bond
- All Financial Reports - TEA prescribed forms



TEA – Required Documents and Procedures

- List of documents must be submitted
 - Three completed and signed depository contract for funds forms
 - One copy of the accepted bid form for depository services or proposal
 - One vendor direct deposit authorization form
 - If applicable one completed and signed Texas School Depository Surety Bond Form
 - TEA Must received these documents by June



Cashier's Check

- Amount should not be excessive
- Should be sufficient to cover the costs incurred by the district during the bidding/proposal process and any costs the district will incur in seeking new bids/proposals



Securities

- District must review the securities pledged by depository or the amount of surety bond
- District must keep copies of receipts for pledged securities in file
- Approved pledged securities must be adequate to protect the funds of the district as directed at any time by board and TEA (Day to Day)



Collateral Pledge Agreement

- In Writing
- Approved by Board of directors of depository institution
- Official record of the bank



FDIC Insurance Coverage and Amount of Securities

- FDIC insurance coverage limit – 250,000
- A school district can use the FDICs Electronic Deposit Insurance Estimator (EDIE) to calculate the insurance coverage on school district deposits
- School deposits require approved security pledge or surety bond coverage or both to the extent not covered by FDIC.



Bank Closing

- May select a new depository if original bank closes
- FDIC negotiates a contract with new bank to honor pre-existing depository contracts
- District must notify TEA immediately of any changes
- Complete new vendor direct deposit



Proposed Changes

- The depository contract bank forms are currently in the process of being updated. Information on the proposed changes to the depository contract bank bid and proposal form can be found on the [November 2016 Committee on School Finance Permanent School Fund Item 2](#) of State Board of Education. Please consult with your legal counsel for any changes you make to existing forms.
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- If approved, the proposed changes are anticipated to go into effect the Spring of 2017. However, a school district can use the existing forms for their 2017-2019 contract and still be in compliance.



Proposed Changes

- Update current banking standards
- Uniform Bid Blank Form & Uniform proposal blank Form will be revised
 - Right to use a subdepository bank
 - District can change way it pays for services when appropriate
 - Money Market Mutual Fund – 1\$ NAV
 - Time deposits from \$100,000 to 250,000
 - Other Important changes – see attachment



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