

**HOUSTON COMMUNITY COLLEGE SYSTEM
PROCUREMENT OPERATIONS**

3100 Main
Houston, Texas 77002

August 14, 2006

To: Prospective Bidders

Re: INVITATION FOR BIDS VIA EMAIL

The Houston Community College System (“HCC”) is soliciting your bid to serve as the Depository Bank for HCC for the two-year period beginning December 1, 2006, through November 30, 2008 with an option to renew for two (2) years in one (1) year increments.

Attached is an electronic copy of the bid specification document to use in your preparation of your bid. Additional information can be obtained from the Purchasing Supervisor via Phone: (713) 718-7430; Fax: (713) 718-2113; or email denise.mcguire@hccs.edu.

You can review the documents at the Purchasing Web Site at www.hccs.edu (click Business, click Vendor Information. Once inside Purchase Web Peruse Project No. 06-35). Please note that a mandatory pre-bid conference will be held at the HCC Purchasing Conference Room, at 3100 Main, 2nd Floor, on Tuesday, August 23, 2006, at 11:00 a.m.

All sealed bids must be marked “**Bank Depository Contract Project No. 06-35**” and received in the Purchasing Office by 3:00 p.m., (local time) Tuesday, September 12, 2006. It is the sole responsibility of the bidder to ensure that its bid is actually in the office of the Purchasing Supervisor prior to the expiration of this deadline.

In the meantime, should you have any questions, please contact me at (713) 718-7430 or email me at denise.mcguire@hccs.edu.

Denise McGuire
Purchasing Supervisor

Enclosure

**PURCHASING PLAN
INVITATION FOR BIDS (IFB)**

Depository Banking Services
Project No: 06-35

Buyer: Denise McGuire

Requestor/College: System-Wide/Ron DeFalco

Date Solicitation Request Form Received in Purchasing:

ACTIVITY:	COMPLETION DATE (2006)
Preparation of solicitation document	July 14-August 4
Review Solicitation document with Requestor:	July 27-August 9
Submit solicitation document to Economic Development Office for Small Business review	June 12
Advertisements:	
Houston Chronicle	August 13, & 20 th
El Dia	August 13, 2006
African American News	August 16, 2006
Southern Chinese Daily	August 16, 2006
Issue Solicitation document to Vendor(s):	August 14, 2006
Internal Distribution of Solicitation: (Board members, HMBC, Purchasing web site Texas Marketplace web site, Economic Development Office and Requestor/Project Management.)	August 11, 2006
Mandatory Pre-BID Conference (Date and Time):	August 23 @ 11:00 a.m.
Bid(s) Due Date & Time:	September 12, 2006 @ 3:00 p.m.
Bid Evaluation by Purchasing and Project Management	September 13-25, 2006
Preparation of Summary / Bid Evaluation Results/Pricing /Board Action Item	September 26- 27
Obtain Board Approval:	October 26, 2006
Negotiate Best and Final Price, if necessary.	September 26-October 20, 2006
Preparation of contract award document / Purchase Order	November 2006
Send "thank you" letter to unsuccessful Vendors.	November 2006

Insurance Required: Yes X No _____

Distribution: Contract File
Executive Director, Procurement Operations
Director of Procurement

**Houston Community College System
Procurement Operations**



**INVITATION FOR BIDS
FOR
DEPOSITORY BANK SERVICES
PROJECT NO. 06-35**

INVITATION FOR BIDS

TABLE OF CONTENTS

	Page
Cover Letter and Cover Page	1-3
Table of Contents	4
Summary of IFB	5
Instructions to Bidders	6-12

Schedules, Agreements, and Information to be Submitted with Bids

Bid/Award Form (Attachment No. 1)	13-15
Schedule of Services and Fees (Attachment No. 2 and 2A)	16-20
Scope of Services/Specification/Statement of Work (Attachment No. 3)	21-25
Determination of Good Faith Effort Form (Attachment No. 4)	26
Small Business Unavailability Certificate (Attachment No. 5)	27
Small Business Development Questionnaire (Attachment No. 6)	28
Contractor & First Tier Subcontractor/Supplier Participation Form (Attachment No. 7)	29
Non-Discrimination Statement (Attachment No. 8)	30
Certification & Disclosure Statement (Attachment No. 9)	31
Affidavit Form (Attachment No. 10)	32
Business Questionnaire (Attachment No. 11)	33-34
Assurance of SBDP Goal (Attachment No. 12)	35
Vendor Application Form (Attachment No. 13)	36
Insurance Requirements (Attachment No. 14)	37-38
BIDDER TO INCLUDE THE FOLLOWING: (Additional Attachments)	
Availability Schedule (Include as Attachment No. 15)	Att.#15
Interest Rate Information (Include as Attachment No. 16)	Att.#16
Depository Pledge Agreement (Include as Attachment No. 17)	Att.#17
Safekeeping Agreement (Include as Attachment No. 18)	Att.#18
Financial Information (Include as Attachment No. 19)	Att.#19
Bid Security/Bond (Include as Attachment No. 20)	Att.#20

Proposed Contract Documents

(The resulting contract may include at least the following documents.)

Bid/Award Form (Exhibit A)	40
Schedule of Items and Prices (Exhibit B)	40
Specification/Statement of Work (Exhibit C)	40
General Terms and Conditions (Exhibit D)	41-44
Contractor & First Tier Subcontractor/Supplier Participation Form (Exhibit E), if appropriate	45
Subcontractor Payment Certification Form (Exhibit F), if appropriate	46
Progress Assessment Report (Exhibit G), if appropriate	47
Insurance Requirements (Exhibit H), if appropriate	48-49
Investment Policy (Exhibit I)	50-65
Investment Report (Exhibit J)	66-67

HOUSTON COMMUNITY COLLEGE SYSTEM

INVITATION FOR BIDS - SUMMARY

Date: August 14, 2006

Project Title: Depository Bank Services

Project No. 06-35

ISSUED BY:

Houston Community College System
Procurement Operations
3100 Main Street (11th Floor)
Houston, Texas 77002
Post Office Box 667517
Houston, Texas 77266-7517

SUBMIT INQUIRIES TO:

Name: Denise McGuire
Title: Purchasing Supervisor

Telephone: (713) 718-7430
Fax: (713) 718-2113
Email: denise.mcguire@hccs.edu

Project Overview: The Houston Community College System ("HCC") is seeking sealed bids from qualified firms interested in providing Depository Bank Services.

Contract Approval: This procurement is subject to approval by HCC Board of Trustees. Subsequent to Board approval, the only person authorized to commit HCC contractually is the Chancellor or his designee.

Pre-Bid Meeting: A X Mandatory _____ Not Mandatory pre-bid meeting will be held on Tuesday, August 23, 2006, at 11:00 a.m. at HCC, 3100 Main Street, Houston, Texas, 77002, in the Conference Room (2nd Floor).

Bid Opening Time/Location: Sealed bids (one original and three copies) for Depository Bank Services will be received until Tuesday, September 12, 2006, at 3:00 p.m. (central daylight savings time) at the Purchasing Department, 3100 Main (11th Floor), Room 11A06, Houston, Texas 77002, and at that time publicly opened and read aloud in Room 11A07.

Contract Term: The contract term for contract(s) awarded from this solicitation will be for two years, December 1, 2006, through November 30, 2008, with a provision for two one-year renewal options.

Small Business Development Program (SBDP): The small business participation goal for this solicitation is BEST EFFORT. (See Instructions to Bidders, Paragraph 15.)

Obligation: This Invitation for Bids does not obligate HCC to award a contract or pay any costs incurred by the bidder in the preparation and submittal of a bid.

HCC is an equal opportunity/educational institution, which does not discriminate on the basis of race, color, religion, national origin, gender, age or disability.

INSTRUCTIONS TO BIDDERS

1. **Review of Bid Documents**

A complete set of bid documents shall be used in preparing a bid. Each prospective bidder should carefully review the bid documents and take such steps as may be reasonably necessary to ascertain the resulting contract performance requirements. Failure to do so will not relieve bidders from the responsibility of estimating properly the difficulty/level of effort or cost of successfully performing the resulting contract.

2. **Explanation to Bidders**

Any explanation desired by a prospective bidder regarding the meaning or interpretation of the bid documents must be requested in writing and with sufficient time allowed (a minimum of seven (7) calendar days before the date set to receive bids) for a response to reach prospective bidders before the submission of their bids. Any HCC response will be in the form of an amendment of the solicitation or an information letter. The response will be made available to all prospective bidders on the HCC website at www.hccs.edu. Receipt of any amendment(s) issued by HCC shall be acknowledged by the bidder with the bid submission.

3. **Bidder Eligibility for Contract Award**

- a. Each bidder shall complete, and submit with the bid, the applicable forms contained in the solicitation. When a special license or permit is required by Federal, State or Local law or ordinance, the bidder must be properly licensed prior to submitting a bid to HCC and must furnish evidence of such with the bid.
- b. In order for a bidder to be eligible to be awarded a contract, the bid must be responsive to the solicitation and HCC must be able to determine that the bidder is responsible to perform the resulting contract satisfactorily.
- c. Responsive bids are those complying with all material aspects of the solicitation. Bids that do not comply with the terms and conditions of the solicitation will be rejected as non-responsive.
- d. Responsible bidders as a minimum must:
 - Have adequate financial resources or ability to obtain such resources as required during the performance of the contract.
 - Be able to comply with the required delivery or performance schedule, taking into consideration all existing business commitments.
 - Have a satisfactory history of past performance.
 - Have necessary management and technical capability to perform the contract.
 - Provide evidence satisfactory to HCC that the bidder will comply with the Small Business Development Program requirements contained in the solicitation.
 - Certify that the firm is not delinquent in any tax owed the State of Texas under Chapter 171, Tax Code; signing and submitting the bid is so certifying.
 - Be qualified as an established firm regularly engaged in the type of business to provide the items/work required by this solicitation.
 - Be otherwise qualified and eligible to receive an award under applicable laws and regulations.
- e. A bidder may be requested to submit written evidence verifying that he/she meets the minimum criteria necessary to be determined a responsible bidder. Bids deviating or taking exceptions to the solicitation requirements will not be considered.

f. Evaluation of Bids (The HCC Staff and HCC Board will determine what weight to attribute to each of the following criteria.)

- a. Ability of Bank to meet service requirements at lowest net cost.
- b. Ability of Bank to aid and assist HCC in any permitted investment without charge;
- c. Ability of Bank to furnish and pledge approved securities as collateral in amount sufficient as provided in Texas Government Code, Chapter 2257, Collateral of Public Funds;
- d. Ability of Bank to provide as pledged collateral, general obligations of the United States of America during the term of the resulting contract;
- e. Type of third party institution holding collateral;
- f. Experience of Bank in providing depository services to accounts similar to HCC;
- g. Interest rates offered on overnight or short-term investments, checking accounts and/or repurchase agreements;
- h. Locations and hours of operations of bank offices;
- i. Electronic bank services offered;
- j. Account reconciliation services;
- k. Any additional services provided;
- l. Earnings credit on average available account balances;
- m. Funds availability;
- n. Previous service relationship with HCC;
- o. Financial strength and stability.

4. **Preparation for Bid**

- a. A bid shall be prepared on the forms furnished by HCC; shall be completed in ink, and shall be manually signed by an authorized official of the company. The person signing the bid shall initial any changes or erasures appearing on the bid forms. Bids submitted via e-mail or facsimile (fax) will not be accepted by HCC.
- b. A bid shall be submitted so as to be received no later than the exact date/time and at the place indicated in the solicitation, and shall be enclosed in a sealed envelope clearly identified as a bid with the project title, project number and bid opening date and time. The envelope shall also identify the name and address of the bidder and shall contain the bid security, if required, and other required documents.

5. **Selection of Bank and Submission of Bids**

- a. HCC will select a depository bank in accordance with Subchapter A of Chapter 51, Section 51.003, of the Texas Education Code. Unless otherwise provided herein, all definitions shall have the meanings as described by such Code.
- b. Sealed bids for Depository Bank Services for the HCC, in accordance with the terms and conditions of this solicitation, will be accepted from commercial banks with an office located in the State of Texas at the Purchasing Department, Houston Community College System, Administration Building, 3100 Main Street (11th Floor), Houston, Texas 77002, until 3:00 p.m. (central daylight savings time) on August 21, 2006.

6. **Opening of Bids**

- a. Bids will be publicly opened immediately following the time set for receipt in the solicitation. The bid prices will be read aloud for the information of bidders and others present.
- b. If HCC receives two or more bids from responsible bidders that are identical in nature and amount, the Board of Trustees shall review. The Board of Trustees may reject all bids, in the best interest of HCC.

- c. HCC reserves the right to reject any and all bids, to waive any informalities in bids received, to make multiple awards based on separate parts of the solicitation bid, and to reject all non-responsive or conditional bids.

7. **Availability of Funds.**

Please provide a schedule and detailed explanation of funds availability, showing both time and day of availability, and specify the institution location to which the availability is applicable. If more than one availability schedule is applicable, provide both. Please submit an availability schedule(s) as Attachment 15.

8. **Interest Rates.**

The collected balances in each account should be accessible via the Internet and will be available for investment at the option of HCC. Funds in interest bearing accounts will earn interest at the rate paid on interest bearing accounts. Please provide an explanation of the institution's policy and methodology used in setting rates paid on interest bearing accounts. Indicate if they are based on a market rate such as T-Bill discount or yield rate, or the federal funds rate, etc., and when the rates are changed. Also, please provide a historical schedule of rates paid on this type of interest bearing account. Please provide the interest rate information, including Certificates of Deposit, as Attachment 16.

9. **Contract Award**

Award of a contract, if awarded, will be made to the responsive and responsible bidder offering the lowest bid price for services as shown on Attachment No. 2 only, and offers the best value to the Houston Community College System and whose bid conforms to the solicitation documents.

HCC reserves the right to waive any technicalities or irregularities in the bid documents and consider the bid for award.

HCC also retains the right to select one or more depositories as places of deposit for funds as provided in Subchapter A of Chapter 51, Section 51.003, of the Texas Education Code.

11. **Bid Security/Bond**

- a. All bids shall be accompanied by a cashier's check, payable to the Houston Community College System, in the sum of Fifty Thousand Dollars (\$50,000.00). This check shall be to secure compliance with the bid and if the bid is accepted by HCC and the bidder fails to enter into a contract with the Houston Community College System as bid, or after being selected as the bidder offering the best value, fail to qualify as the System Depository Bank, then the certified check shall be retained by the System for liquidated damages.
- b. **Securities Pledged.** As security for the deposits of HCC, the institution will pledge to HCC securities equal to 110% of their market or par value, whichever is lower, of the largest total balances HCCS maintains in the institution, less the amount provided by the Federal Deposit Insurance Corporation (FDIC). These aggregate balances are estimated not to exceed \$60,000,000.

Approved securities are restricted to those defined in HCC Investment Policy and as provided for in the Government Code, Chapter 2257, Collateral for Public Funds.

This Pledge will be evidenced by a separate Depository Pledge Agreement in accordance with the requirements of State and Federal law. Please submit a copy of the Depository Pledge Agreement as Attachment 17.

The securities comprising the pledge are to be calculated using market value. The securities so pledged, the amounts thereon, and the time for pledging it should satisfy statutory requirements and the HCCS Investment Policy as included in Exhibit I.

HCCS will also accept a Surety Bond as collateral for the deposits of HCC. The Surety Bond must meet the requirements of the Texas Education Board and HCC Investment Policy as included in Exhibit I.

- c. Safekeeping. The securities pledged are to be held in safekeeping at a financial institution acceptable to HCC. The original copies of all security receipts are to be filed with the Executive Director, Business Affairs. HCC will reimburse the Depository Bank for safekeeping charges, if any. Please specify the safekeeping charges that will apply, if any, in your bid response.

Please submit a copy of the Safekeeping Agreement as Attachment 18. The safekeeping agreement should clearly state that the Trustee is instructed to release the collateralized securities to HCC if HCC has determined that the Depository Bank has failed to pay on any accounts including, but not limited to, matured investments in Certificates of Deposit, or HCC has determined that HCC funds are in jeopardy for any reason including, but not limited to, involuntary closure or change in ownership.

The Safekeeping Agreement should have signatories and be executed by the Trustee institution, the Depository Bank, and HCC.

- d. Substitutions. Any substitutions of the securities or reductions in the total amount pledged are to be made only by and with the proper written authorization approved by an authorized signatory. HCC will approve all securities pledged. In the case of reductions, the Depository Bank is to provide in writing that collateral will be available when needed to meet normal HCC balance increases throughout the year. Any securities pledged are to satisfy statutory requirements and HCC Investment Policy.
- e. Certification and Delivery of Collateral. In accordance with state law, the Board of Directors of the selected Depository Bank will be required to provide a resolution of certification approving the commitment and delivery of the collateral to the safekeeping institution not later than five days before the commencement of the contract period.

12. Investments

For illustration of HCC's investment activity, Exhibit J has been included.

- a. Direct Investment Alternative. HCC desires a Bank Depository relationship which provides full legal flexibility in investment activities. Since state law permits HCC to invest in direct debt securities of the United States Government or its agencies or instrumentalities guaranteed by the full faith and credit of the United States Government, HCC will have the right, at its sole discretion, and based on maturities and liquidity needs of HCC, to select direct investment in government obligations.
- b. Certificates of Deposit. Certificates of Deposit (CD's) purchased for HCC will be non-negotiable and will be registered in the name of HCC. CD's must be fully insured by the FDIC or collateralized by fully guaranteed Federal obligations that are pledged to HCC and that have a market value equal to or greater than the CD for the life of the CD. Proof of collateral must be supplied to HCCS before the CD's are paid for.
- c. Interest Calculations. Interest on all CD's will be computed on an actual day basis, and the interest paid to HCC on the maturity date. Payments will be made by crediting the accounts from which investments were made. Interest calculations should include the first day in the investment period but should not include the day of maturity.

- d. Extension of Investments. The Depository Bank agrees to honor and continue any investments made during the term of the Depository Services Contract that will mature after the expiration date of the contract at the same rate established before the expiration of the contract.
- e. HCC may lawfully invest all or any portion of its funds. The bidder will and shall aid and assist the HCC in any permitted investment without charge, including repurchase agreements. If HCC sells bonds, it reserves the right to invest these monies as allowed by law.

13. **Rejection of Bids**

The Houston Community College System reserves the right to reject any and all bids. If any portion or provision of the bid and/or the resulting contract between the successful bidder and Houston Community College System entered into as a result of the bid proves invalid, the remainder of the bid and/or resulting contract shall, at the option of the Houston Community College System, remain in full force and effect and shall not be affected by the invalid portion or provision.

14. **Taxes**

HCC is tax exempt as a governmental subdivision of the State of Texas.

15. **Small Business Development Program (SBDP)**

- a. HCC has adopted a Small Business Development Program for small businesses attempting to provide goods and/or services as prime contractors or as subcontractors to other prime contractors to HCC. The program is designed to prevent discrimination by ensuring that small, underutilized and disadvantaged businesses are informed and prepared to compete for HCC procurements. HCC will neither discriminate nor select vendors on the basis of race, color, national origin, religion, gender, age or disability in its procurement selection process.
- b. Small businesses whose gross annual income averaged over the past three (3) years does not exceed the Small Business Administration's size standards as specified in 13 CFR Part 121 are eligible to apply for participation in the program.
- c. For this solicitation, HCC has established BEST EFFORT as its goal for Small Business participation.
- d. Good Faith Efforts: HCC will make a good faith effort to utilize small businesses in all contracts. The annual program goals may be met by contracting directly with small businesses or indirectly through subcontracting opportunities. Therefore, any business that contracts with HCC will be required to make a good faith effort to award subcontracts to small businesses. The subcontracting goal applies to all vendors regardless of their status. By implementing the following procedures, a contractor shall be presumed to have made a good faith effort:
 - To the extent consistent with industry practices, divide the contract work into reasonable lots.
 - Give notice to SBDP eligible firms of subcontract opportunities or post notices of such opportunities in newspapers and other circulars.
 - Document reasons for rejecting a firm that proposes or bids on subcontracting opportunities.
- e. Small Business Compliance: To ensure compliance with any stated small business participation goal, the selected vendor/contractor will be required to meet with the HCC Buyer and/or designated representative at the 50% and 75% completion phases/dates of

the project, to verify small business participation activity and to ensure compliance with the stated small business goal.

16. **Prime Contractor/Contracts for Services**

The prime contractor must perform a minimum of 30% of any contract for services with its labor force and or demonstrate management of the contract for services to the satisfaction of HCC.

17. **Prohibited Communications**

Except as provided in exceptions below, the following communications regarding a particular invitation for bids, requests for bid, requests for qualifications, or other solicitation are prohibited:

- Between a potential vendor, service provider, bidder, offeror, lobbyist or consultant and any Trustee;
- Between any Trustee and any member of a selection or evaluation committee; and between any Trustee and administrator or employee.

The communications prohibition shall be imposed on the date that responses to the solicitation are due or received, whichever is first.

The communications prohibition shall terminate when:

- The contract is awarded by the Chancellor or his designee; or
- The award recommendations are considered by the Board at a duly-noticed public meeting.

In the event the Board refers the recommendation back to staff for reconsideration, the communications prohibition shall be re-imposed.

The communications prohibition shall not apply to the following:

- Duly noted pre-bid or pre-bid conferences.
- Communications with the HCC General Counsel.
- Emergency contracts.
- Presentations made to the Board during any duly-noticed public meeting.
- Unless otherwise prohibited in the solicitation documents, any written communications between any parties, provided that the originator shall immediately file a copy of any written communication with the Board Services Office. The Board Services Office shall make copies available to any person upon request.
- Nothing contained herein shall prohibit any person or entity from publicly addressing the Board during any duly-noticed public meeting, in accordance with applicable Board policies, regarding action on the contract.

18. **Drug Policy**

HCC is a drug-free workforce and workplace. The manufacture, sale, distribution, dispensation, or use of illegal drugs or alcohol by vendors or contractors while on HCC's premises is strictly prohibited.

19. **Bid Submittals**

Each bidder must complete and return the following documents, if appropriate:

- Bid/Award Form (Attachment No. 1)
- Schedule of Services and Fees form (Attachment No.2 and 2A)
- Determination of Good Faith Effort (Attachment No.4)
- Small Business Unavailability Certificate (Attachment No. 5)

- Small Business Development Questionnaire (Attachment No. 6)
- Contractor & First Tier Subcontractor/Supplier Participation Form (Attachment No. 7)
- Non-Discrimination Statement (Attachment No. 8)
- Certification & Disclosure Statement (Attachment No. 9)
- Affidavit Form (Attachment No. 10)
- Business Questionnaire (Attachment No. 11)
- Assurance of SBDP Goal (Attachment No. 12)
- Proposed Depository Contract (Exhibit A)
- A "sample" Account analysis
- An Availability Schedule (Attachment No. 15)
- Interest Rate Information (Attachment No. 16)
- A Depository Pledge Agreement (Attachment No. 17)
- A "sample" Safekeeping Agreement (Attachment No. 18)
- Financial Information (Attachment No. 19):
 - a) Latest annual financial statements
 - b) Most recent quarterly FDIC calls report and Uniform Bank Performance Report
- Bid Security/Bond (Attachment No. 20)

The envelope containing a bid shall be addressed as follows:

- Name, Address and Telephone Number of Bidder;
- Project Description/Title;
- Project Number
- Bid Opening Date/Time.

All bids shall be submitted to:

**Houston Community College System
Reference: Project No. 06-35
Attn: Denise McGuire
Purchasing Department
3100 Main Street (11th Floor)
Houston, Texas 77002**

All bid envelopes, whether submitted in person or by mail, shall be sealed and shall be clearly marked in the lower left-hand corner, "Bid for Depository Bank Services, Project No. 06-35".

20. **Appropriated Funds**

The purchase of service or product, which arises from this solicitation, is contingent upon the availability of appropriated funds. HCC shall have the right to cancel the resulting contract at the end of the current fiscal year if funds are not allotted for the next fiscal year to continue this contract. If funds are withdrawn or do not become available, HCC reserves the right to cancel the contract by giving the contractor a thirty (30) day written notice of its intention to cancel without penalty. Upon cancellation of the contract, HCC shall not be responsible for any payment of any service or product received that occur after the of the current contract period. HCC fiscal year begins on September 1 and ends on August 31st.

21. **Texas Public Information Act**

HCC considers all information, documentation and other materials requested to be submitted in response to this solicitation to be of a non-confidential and/or non-proprietary nature, and therefore, shall be subject to public disclosure under the Texas Public Information Act (Texas Government Code, Chapter 552.001, et seq.) after a contract is awarded.

ATTACHMENT NO. 1
HOUSTON COMMUNITY COLLEGE SYSTEM
INVITATION FOR BIDS
BID/CONTRACT AWARD FORM

DESCRIPTION OF PROJECT: **Depository Banking Services**
PROJECT NO.: 06-35

Name of Bidder/Bank: _____

Address: _____

Telephone: _____

Fax: _____

E-mail: _____

Receipt of Bid Amendments Number(s): _____

Board of Trustees
Houston Community College System
3100 Main Street
Houston, Texas 77002

Ladies and Gentlemen:

The undersigned, a State of Texas or national banking corporation, the deposits of which are insured by the Federal Deposit Insurance Corporation, hereinafter called "Bidder", for the privilege of acting as Depository of the Houston Community College System of Harris County, Texas, hereinafter called "System", for a term of two years, beginning on or about December 1, 2006, and ending November 30, 2008, and for the further privilege of receiving all funds or only certain funds to be designated by the System if more than one depository is selected, at the System's option to place on demand or interest-bearing time deposits as provided in Subchapter A of Chapter 51, Section 51.003, of the Texas Education Code, and with the full understanding that the System reserves the right to invest its funds from time to time as permitted by law, bids as set forth herein. All services will be provided in accordance with the Scope of Service (Attachment No. 3) and the Schedule of Services and Fees (Attachment No. 2) both documents attached hereto and made a part hereof, and other terms of this solicitation.

1. Attached hereto is a cashier's check in the sum of \$50,000.00 payable to the Houston Community College System. If this bid for Depository Bank Services is accepted, said check is to secure the performance of said bid, and if bidder fails to enter into a contract with Houston Community College System, then said check may be cashed by Houston Community College System as liquidated damages for said failure. If the undersigned enters into a contract with the Houston Community College System, the cashier's check shall be returned to the bidder. In the event this bid is not accepted by Houston Community College System, the aforementioned check shall be returned to the bidder immediately after the contract award is made.
2. The undersigned hereby proposes to furnish all labor, materials, supervision and any other services necessary to provide Depository Bank Services for the bid amount(s) listed on the Schedule of Services and Fees, Attachment No. 2, and the prices for optional additional services listed on Attachment No. 2A.
3. The undersigned certifies that the amount(s) contained in Attachment No. 2 have been carefully checked and are submitted as correct and final.

Dated this _____ day of _____, 2006.

Name of Bidder: _____ Signed By: _____

Address: _____ Name: _____
(Type or Print)

City, State, Zip: _____ Title: _____
(Type or Print)

Telephone: _____ ATTEST: _____
(Secretary, if Bidder is a Corporation)

SEAL:
(If Corporation)

ACCEPTANCE AND CONTRACT AWARD FORM

(This page to be completed by HCC.)

Purchase Order No. _____ (for payment purposes only)
Project No. 06-35

Contractor to perform the work required herein in accordance with Purchase Order(s) issued by HCCS and the Terms and Conditions of Purchase posted on the HCC website at www.hccs.edu, incorporated herein by reference, and the prices, scope of services and general terms and conditions attached hereto and made a part hereof.

HOUSTON COMMUNITY COLLEGE SYSTEM

Executed for and on behalf of the Houston Community College System pursuant to approval by the Board of Trustees on _____, 2006.

Signed By: _____

Name: _____

Title: _____



ATTACHMENT NO. 2

SCHEDULE OF SERVICES AND FEES

The Bidder shall furnish all resources and services necessary and required to provide Bank Depository Services in accordance with the scope of services and the general terms and conditions of the proposed contract for the price (s) listed below.

**HOUSTON COMMUNITY COLLEGE SYSTEM
BANK SERVICE REQUIREMENTS
(Pro Forma Volumes Based on June 2006)**

(TO BE COMPLETED BY THE FINANCIAL INSTITUTION)

SERVICES DESCRIPTION	MONTHLY ACTIVITY	UNIT PRICE	TOTAL CHARGE
BALANCE RELATED SERVICES			
FDIC Assessment	2,209,017		
DEPOSITORY SERVICES			
Account Maintenance	10		
Banking Center Deposit	27		
QBD/Night Drop Deposit	8		
Vault Deposit	994		
Item Processing Deposit	21		
Debits Posted – Other	5		
Deposit Connection – Non-Cash	4		
General Cks Paid – Not Truncated	52		
Direct DDA Stmt Per Acct	17		
Direct Paid Item Inquiry	28		
TFR Master Acct Maint	1		
TFR Subsidiary Acct Maint	2		
Depository + Sub Acct Maint	4		
Returns – Chargeback	60		
Cks Deposited	2,996		
Stop Pay Automated <=12 months	18		
Debits Posted – Electronic	113		
Credits Posted – Other	8		
Credits Posted – Electronic	266		
Facsimile Transmission	1		
COMMERCIAL DEPS – CASH VALUE			
Curr/Coin Dep/\$100 – QBD-ND	6		
Curr/Coin Dep/\$100 – Bkg Ctr	2		
Curr/Coin Dep/\$100 – Vlt	6,966		
Coin Supp/Roll-Box Bkg Ctr	25		
Deposit Correction – Cash	2		

Attachment No. 2 (Continued)

SERVICE DESCRIPTION	MONTHLY ACTIVITY	UNIT PRICE	TOTAL CHARGE
Coin Supplied/Roll – Bkg Ctr	14		
Coin Supplied/Roll – Vault	441		
Change Order Vault	5		
Dep Correction Phone Call	1		
Change Order Bkg Ctr	5		
Currency Supp/\$100 – Std Vlt	2		
Currency Supp/\$100 – Bkg Ctr	10		
GENERAL ACH SERVICES			
ACH Optional Rpts – Electronic	8		
ACH Delete/Reversal (E)	1		
ACH Return Item – NOC	15		
ACH Monthly Maintenance (E)	2		
ACH Input – PC/Direct (E)	5		
ACH Input – Transmission (E)	5		
ACH Blocks/Filters Maint	9		
Delete/Reversal – Batch/File (E)	1		
ACH Monthly Maintenance (W)	1		
Corporate Off Us Credits (W)	38		
ACH Originated Addenda (W)	38		
ACH Standard Reports – Fax	11		
Consumer On Us Credits (E)	2,020		
Consumer Off Us Credits (E)	6,182		
Consumer Off Us Debits (E)	1		
CONTROLLED DISBURSEMENTS			
Cks Paid – Truncated	2,358		
Cks Paid Truncated	11		
Maintenance	2		
Funding Credits	30		
WIRE TRANSFER			
Direct Wire Maint Fee	1		
Elec Wire Out – Domestic	33		
Elec Wire Out – Book DB	7		
Incoming Domestic Wire	3		
Wire Advice – Phone	1		
Domestic Investigation	1		
Cust Maint Template Storage	18		
ACCOUNT RECONCILIATION			
CD ROM Maint	3		
CD ROM per Image	2,417		
CD ROM Disk	3		
Full Maint	5		
Check Sorting Maintenance	1		
Check Sorting per Item	2		
Electronic PPay Maint	6		
Full PPay Account	5		
Full PPay Item	2,421		
Full Recon Input Item Trans	2,663		
Full Recon Output File Trans	4		

Attachment No. 2 (Continued))

SERVICE DESCRIPTION	MONTHLY ACTIVITY	UNIT PRICE	TOTAL CHARGE
INFORMATION SERVICES			
Direct Previous Day Maint	1		
Direct Current Day Maint	1		
Direct Per Account Fee	18		
Direct Current Day Std Item	1,329		
Direct Previous Day Ext Item	4,208		
CASHPAY SERVICES			
Monthly Maint Fee – ATM	421		
File Transmission	2		
Elec – Enrollment	17		
MISCELLANEOUS			
Image Request – VRU	2		
Nonrelationship Cust Ck Cashed	49		
SAFEKEEPING FEES			
GRAND TOTAL SERVICES CHARGE			\$

Notes: Bidder to Provide

- (1) Earnings Credit Rate on Available Account Balances for the most recent three months:

April _____%.

May _____%.

June _____%.

Rate Basis: _____

- (2) HCCS requires check cashing for employee and student checks issued by HCC at no charge to the employee or student.

ATTACHMENT NO. 2A

OPTIONAL ADDITIONAL SERVICES/PRICES

(Note: Except for the services described in bullet 1 and 2 below, the information requested herein is for planning purposes only.)

- Houston Community College System is currently utilizing positive pay and complete reconciliation services to prevent check fraud on all **checking** accounts. Please confirm the capability of your bank to provide this service, the options available and pricing for this service. (Please provide this pricing on Attachment No.3, Schedule of Services and Fees)
- Houston Community College System is currently utilizing positive pay and complete reconciliation services to prevent check fraud on all **non-checking** accounts. Please confirm the capability of your bank to provide this service, the options available and pricing for this service. (Please provide this pricing on Attachment No. 3, Schedule of Services and Fees)
- Houston Community College System is considering check imaging with CD-Rom options to reduce bank service cost. Please confirm the capability of your bank to provide this service, the options available and pricing for this service.
Price: \$ _____
- Please provide pricing for any one-time setup fee and/or software fees for bank services Houston Community College System is currently using as included in Attachment Nos. 3 and 3A.
Price: \$ _____
- To maximize control and investment opportunities, the System requires Balance Reporting for daily access of its bank accounts to obtain balance information. The most desirable access would be accomplished with a web-based process with a high capacity data transfer rate. The information to be contained in the report would be for the previous business day and include: ledger balance, collected balance, one-day float amount, two-day float amount, total credits, total debits, and detail debits and credits. Please confirm the capability of your bank to provide this service, the options available and pricing for this service.
Price: \$ _____
- Houston Community College System is utilizing Direct Deposit for its employees. Please confirm the capability of your bank to provide this service, the options available and pricing for this service, if any. **Price:** \$ _____
- Please provide bank benefits that would be available to HCC employees; i.e. free checking, discounted loans, traveler's checks, etc. *HCC requires check cashing for employee payroll checks/student refund checks issued by HCC. Indicate whether such bank benefits are provided at no charge to the employee or student.*

- HCC is considering vendor payments via EFT, flat file, vendor-to-vendor payment options. Please confirm the capability of your bank to provide this service, the options available and pricing for this service. **Price: \$**_____
- HCC is considering using a Procurement Card (“P-Card”) for low dollar purchases of goods and services. A pilot program has been established with approximately 50 P-Cards. Anticipated usage is estimated at \$1,000,000 during year one. Please confirm the capability of your bank to provide P-Card service, the options available and pricing for this service for consideration after completion of the pilot program. **Price: \$**_____
- The method HCC plans to utilize on any Pay for Services Items listed on Attachment#3 and #3A will be the Direct Pay Method, to the extent the cost of these services exceeds the earning credit amount. *The System requires account analysis statements on a monthly basis by individual account and at group level.* Settlement of excess/deficit conditions reflected by group level account is to occur on a quarterly basis.
- Please provide quantities and branch locations of your banks in the Harris County, and Fort Bend County areas.
- HCC uses the Peoplesoft platform for its financial database. All rendering of reconciliation items must be compatible with Peoplesoft software.
- HCC is considering adding electronic check acceptance service. Please confirm the capability of your bank to provide this service, the options available, and the pricing to HCC. **Price: \$**_____

SUPPLIES DESCRIPTION	UNIT PRICE
Safe Deposit Box (1 Large)	
Deposit Bags (Tamper-proof, Disposable, Large & Small)	
Endorsement Stamps (Self-inking)	
Printed Deposit Tickets (4-part Carbonless)	

ATTACHMENT NO. 3

SCOPE OF SERVICES

FOR

DEPOSITORY BANK SERVICES

I. General

The Contractor (hereinafter referred to and called "Depository Bank") shall furnish all resources necessary and required to perform the services described herein. The Depository Bank agrees to faithfully discharge the duties of the depository and pay out the funds received by it upon the drafts, checks, or vouchers of the Houston Community College System drawn upon order and duly entered, safely keep and faithfully disburse all funds coming into its hand as depository , faithfully pay over to its successor all balance remaining in its hands, and shall guarantee and indemnify the Houston Community College System against all loss, cost, or expense arising out of, or related to, its failure to discharge its duties as depository bank.

II. Services

- a. The Depository Bank shall provide the Houston Community College System with the capability to establish and maintain bank accounts. The accounts relationships are as follows:

<u>Account Name</u>	<u>Type of Account</u>
A/P Clearing: Controlled Disbursement	Non-interest bearing
2003 Ltd Tax Bonds Controlled Disbursing Acct	Non-interest bearing
TG Student Loan	Non-interest bearing
Retirement of Indebtedness Interest Sinking Fund	Interest bearing
General AP Clearing	Non-interest bearing
Current Operating	Non-interest bearing
Payroll	Non-interest bearing
Tuition Fees Other Campus Deposits	Non-interest bearing
State Local Current Restricted	Non-interest bearing
Unexpended - Plant Fund	Non-interest bearing
Federal Restricted Funds	Non-interest bearing
Auxiliary Enterprise Fund	Non-interest bearing
2003 Limited Tax Bonds	Interest bearing
Limited Tax Bonds 2003/SGC Invested Funds	Interest bearing
2001A Bond Debt Service Reserve	Non-interest bearing
2001A Bond Sinking & Interest	Non-interest bearing
2001A Bond Proceeds	Non-interest bearing

HCC reserves the right to open or close any number or type of accounts, as it deems necessary through the term of the Depository Services Contract. Any services not listed, but later requested by HCC, will be charged for at a mutually agreed upon fee. Fees bid are fixed for the entire contract period. No additional setup fees or software fees will be charged if the Depository Bank merges or is acquired by another bank.

HCC issues approximately 3,000 checks per month for an estimated \$5,500,000 per month.

b. Bank Transactions by Account (Transactions during June 2006):

HCCS ACCOUNTS	NUMBER. CREDITS	NUMBER. DEBITS	ENDING LEDGER
A/P Clearing: Controlled Disbursement	22	2,358	\$0
2003 Ltd Tax Bonds Controlled Disbursing Acct	8	9	0
TG Student Loan	0	0	0
Retirement of Indebtedness Interest Sinking Fund	1	0	585
General AP Clearing	1	2	0
Current Operating	241	128	1,929,292
Payroll	26	24	0
Tuition Fees Other Campus Deposits	1,000	81	0
State Local Current Restricted	17	15	0
Unexpended - Plant Fund	1	3	637
Federal Restricted Funds	15	11	0
Auxiliary Enterprise Fund	121	27	0
2003 Limited Tax Bonds	17	19	170,849
Limited Tax Bonds 2003/SGC Invested Funds	11	2	275,340
2001A Bond Debt Service Reserve	1	2	4,385
2001A Bond Sinking & Interest	0	0	0
2001A Bond Proceeds	1	1	489
TOTAL	1,483	2,682	\$2,381,577

c. Average Monthly Bank Balance (January 2006 – June 2006):

MONTH	AVERAGE LEDGER BALANCE
January	\$1,509,380
February	1,544,424
March	1,318,163
April	1,329,404
May	1,355,453
June	1,181,369
TOTAL	\$8,238,193
MONTHLY AVERAGE	\$1,373,033

d. Payroll Deposit (January 15 through June 30, 2006)

DATE 2006	TOTAL PAY SUMMARY	TOTAL ADVICES	DIRECT DEPOSIT AMT.	CASH PAY CARD	CASH PAY CARD EMPLOYEES
1/13	\$3,360,240.97	3,423	\$3,308,612.25	\$40,500.53	129
1/31	\$3,330,248.70	3,152	\$3,270,476.87	\$49,311.79	122
2/15	\$3,451,697.02	3,474	\$3,385,448.88	\$50,649.12	135
2/28	\$4,553,362.33	5,070	\$4,451,747.56	\$71,952.45	164
3/10	\$3,363,210.12	3,636	\$3,301,765.29	\$43,000.11	135
3/31	\$4,771,299.40	5,613	\$4,641,830.76	\$74,349.36	190
4/13	\$3,478,601.12	3,738	\$3,418,048.18	\$53,618.61	165
4/28	\$4,842,918.08	5,687	\$4,741,322.96	\$84,117.48	208
5/15	\$3,496,385.73	3,681	\$3,420,798.98	\$56,567.47	173
5/31	\$3,060,771.77	3,426	\$2,957,306.21	\$94,089.49	206
6/15	\$3,488,231.05	3,276	\$3,426,518.10	\$54,068.14	145
6/30	\$3,622,149.78	3,455	\$3,526,300.17	\$80,605.59	159
TOTAL	\$44,819,116.07	47,631	\$43,850,176.21	\$752,830.14	1,931
AVERAGE	\$3,734,926.34	3,969	3,654,181.35	\$62,735.85	161

e. All stale dated checks shall be rejected unless authorization is obtained from HCCS prior to payment.

f. The Depository Bank shall also provide the following services:

- Provide the Houston Community College System permission to use the night deposit facility of the bank at its lobby.
- Provide on-line electronic services such as daily account balances, fund transfers (repetitive and non-repetitive), stop payment, detail transactions and other on-line query capabilities.
- Provide the HCC with the capability to transmit payroll direct deposit electronically or on a 3-1/2 diskette.
- Retain the Houston Community College System deposit records and accounts relating to its funds during the term of the contract. Included in and required as a part of this duty are the following:
 - Prepare monthly statements showing debits, credits, and balance of each separate fund.
 - Maintain a full and separate itemized account of each different class of HCC funds and make records available for audit by the Houston Community College System and/or its independent auditors.
 - Provide automatic full bank reconciliation on all accounts requested by HCC.
 - Furnish Direct Deposit of payroll service to Houston Community College System employees. There are approximately 2500 employees on direct deposit and about 310 financial institutions participating.
 - Provide an account analysis for each account on a month end cutoff date. This analysis shall list all services, charges per unit, activity volume, and the total amounts. Settlement of the excess/deficient condition as reflected on the group level account analysis is to be quarterly.
 - Provide option for repurchase agreements.

- Prepare other reports, which may, from time to time, be required by the Houston Community College System in order to properly fulfill its fiscal duties.
- Charge interest to the Houston Community College System on overdrafts or their equivalent up to the maximum rates permissible by law per annum. (Note: Overdraft as defined herein means that Houston Community College System does not have a compensating balance in other funds or accounts in the bank equaling or exceeding overdrafts in a particular fund or account. The amount of an overdraft shall be determined by adding all the Houston Community College System's non-interest bearing funds or non-interest bearing accounts in the bank at the close of business each day).
- Furnish to Houston Community College System pledged approved securities in the amount sufficient as provided in Chapter 2257 of the Texas Government Code, Collateral for Public Funds, and delivering to Houston Community College System either the securities pledged or safekeeping receipts for them, properly marked to show the pledge. The collateral shall consist solely of direct obligations of the United States of America.
- HCCS will maintain balances in its checking accounts to compensate the bank in full or in part for services provided. Earnings credit for these balances shall be reflected on the account analysis provided to HCC by applying the Earnings Credit Rate (ECR) to the average investable balance in the account for the month. The ECR shall be based on the average 90-day Treasury Bill auction rate or other average money market rate for the analysis month.
- Transfer of Funds. Transfer of funds will commence at such time the successful bidder has provided HCCS with all required forms and supplies necessary to insure uninterrupted day-to-day operations. Bidder will, upon termination of contract, cooperate with the new Depository Bank for transfer of funds.
- Periodic Review. HCCS requires a review meeting at least once every six months to evaluate the working relationship between HCCS and the Depository Bank. The objectives include addressing any problems and to seek solutions, as well as keeping abreast of changes, new services, or new requirements.
- Reporting Requirements. The Depository Bank institution is to provide HCC a report of securities pledged at the end of each month or at any time requested by the Executive Director, Business Affairs, or any other designated official. The report should reflect the total pledged securities itemized by:
 - Name
 - Type/Description
 - Par Value
 - Market Value
 - Maturity Date
 - Rating by Moody's or Standard & Poor's (both, if available)
- Depository Application and Resulting Contract. The final appointment of the Depository Bank will be made by HCC by a contract award by the HCC Board. The successful bidder may be required to execute a new Depository Services Contract which incorporates all of the requirements of this Depository Contract, accompanying related schedules, and materials as called for in this Depository Contract, and any exceptions, conditions, or qualifications to the specifications included herein as deemed appropriate by HCCS. In the alternative, this fully executed Depository Contract accompanying related schedules, attachments, and materials constitute the Depository Services Contract upon acceptance and execution by HCCS.
- Designating Officials. The bidder is to provide a list of contact personnel within the financial institution for communication and assistance with HCCS:

[To be completed by the Financial Institution]

<u>DESCRIPTION</u>	<u>NAME</u>	<u>PHONE</u>	<u>EMAIL</u>
Relationship Officer			
General Information			
Investments & Safekeeping			
Accounting/ Bookkeeping			
Deposit Discrepancies			

<u>DESCRIPTION</u>	<u>NAME</u>	<u>PHONE</u>	<u>EMAIL</u>
Controlled Disbursement			
Balance Reporting			
Account Reconciliation			
ACH Processing			
Other Contact Personnel:			

ATTACHMENT NO. 4

PROJECT NO. 06-35

HOUSTON COMMUNITY COLLEGE SYSTEM

DETERMINATION OF GOOD FAITH EFFORT

Bidder _____

Address _____

Phone _____ Fax Number _____

In making a determination that a good faith effort has been made, HCC requires the Bidder to complete this form and submit supporting documentation explaining in what ways the Bidder has made a good faith effort to attain the goal. The Bidder will respond by answering "yes" or "no" to the following and provide supporting documentation.

- _____ (1) Whether the Bidder provided written notices and/or advertising to at least five (5) certified small businesses or advertised in general circulation, trade association and/or small businesses focus media concerning subcontracting opportunities.
- _____ (2) Whether the Bidder divided the work into the reasonable portions in accordance with standard industry practices.
- _____ (3) Whether the Bidder documented reasons for rejection or met with the rejected small business to discuss the rejection.
- _____ (4) Whether the Bidder negotiated in good faith with small businesses, not rejecting qualified subcontractors who were also the lowest responsive bidder.

NOTE: If the Bidder is unable to meet the solicitation goal or if any of the above items (1-4) are answered "no", the Bidder must submit a letter of justification.

Signature of Bidder

Title

Date

**ATTACHMENT NO. 5
SMALL BUSINESS UNAVAILABILITY CERTIFICATE**

I, _____, _____, of
 (Name) (Title)

_____, certify that on the date shown below, I contacted the following small business(es)
 (Business Name) to obtain a Bid for Materials or Services to be utilized on HCCS Project No. _____.

DATE CONTACTED	SMALL BUSINESS	TELEPHONE NO.	CONTACT PERSON	MATERIALS OR SERVICES	RESULTS
1.					
2.					
3.					
4.					
5.					
6.					

To the best of my knowledge and belief, said small business was unavailable for this solicitation, unable to prepare a bid/bid or prepared a bid that was rejected for the reason(s) stated in the RESULTS column above.

The above statement is a true and accurate account of why I was unable to award a subcontract(s) or supply orders(s) to the small business listed above.

NOTE: This form to be submitted with all Bidder documents for Waiver of small business participation. (See Instructions to Bidders)

Signature: _____
 (Bidder/Offerer)

**ATTACHMENT NO. 6
SMALL BUSINESS DEVELOPMENT QUESTIONNAIRE**

Note: Vendors are to complete this form along with a **copy** of the Contractor and First Tier Subcontractor/Supplier Participation Form and return it in a separate envelope to:

**Houston Community College System
Economic Development Office
Post Office Box 667517
Houston, TX 77266-7517**

FIRM NAME: _____

FIRM ADDRESS: _____

TELEPHONE: _____

FAX NUMBER: _____

EMAIL ADDRESS: _____

CONTACT PERSON'S NAME AND PHONE NO. _____

SIGNATURE OF FIRM'S AUTHORIZED OFFICIAL: _____

NAME AND TITLE (Type or Print): _____

COMPANY MAJORITY OWNERSHIP (Check one in each column)

ETHNICITY

GENDER

LOCATION

____ African American (AA)

____ Male

____ Houston (H)

____ Asian Pacific American (APA)

____ Female

____ Texas (T)

____ Caucasian (C)

____ Out of State (O)

____ Hispanic American (HA)

Specify State _____

____ Native American (NA)

____ Public Owned (PO)

____ Other (O) Specify _____

BUSINESS CLASSIFICATION

____ **DBE** Disadvantaged Business Enterprise

____ **SB** Small Business

____ **WBE** Women Owned Business Enterprise

____ **MBE** Minority Business Enterprise

____ **HUB** Historically Underutilized Business

____ Other: _____

Please provide information regarding certifying agency (if any)

Name of Agency

Certificate Number

Expiration Date

Project No. 06-35

ATTACHMENT NO. 7

CONTRACTOR AND FIRST TIER SUBCONTRACTOR/SUPPLIER PARTICIPATION

Bidder/offerer presents the following participants in this solicitation and any resulting Contract. All bidders / offerers, including small businesses bidding as prime contractors, are required to demonstrate good faith efforts to include eligible small businesses in their bid submissions as subcontractors and/or suppliers.

CONTRACTOR	Type of Work to be Performed or Materials Supplied	Indicate if Small Business, DBE, HUB, MBE, etc.	Percentage of Contract Effort	Price
Business Name:				
Business Address:				
Telephone No. :				
Contact Person:				
SUBCONTRACTORS				
Business Name:				
Business Address:				
Telephone No. :				
Contact Person:				
Business Name:				
Business Address:				
Telephone No. :				
Contact Person:				
SUPPLIERS				
Business Name:				
Business Address:				
Telephone No. :				
Contact Person:				
Business Name:				
Business Address:				
Telephone No. :				
Contact Person:				

Submitted by: _____ Business Name: _____

TOTAL \$ _____

Address: _____

Contractor \$ _____

Telephone/Fax: _____ Date: _____

Subcontractor(s) \$ _____

Supplier (s): \$ _____

ATTACHMENT NO. 8

NON-DISCRIMINATION STATEMENT

The undersigned certifies that he/she will not discriminate against any employee or applicant for employment or in the selection of subcontractors because of race, color, age, religion, gender, national origin or disability. The undersigned shall also take action to ensure that applicants are employed, and treated during employment, without regard to their race, color, religion, gender, age, national origin or disability. Such action shall include, but shall not be limited to the following: employment, upgrading or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other compensation, and selection for training, including apprenticeship.

Name/Title: _____
(Type or Print)

Signature: _____ Date: _____

Company Name: _____
(Type or Print)

Address: _____

Telephone Number: _____

ATTACHMENT NO. 9

CERTIFICATION AND DISCLOSURE STATEMENT

A person or business entity entering into a contract with HCC is required by Texas Law to disclose, in advance of the contract award, if the person or an owner or operator of the business entity has been convicted of a felony. The disclosure should include a general description of the conduct resulting in the conviction of a felony as provided in section 44.034 of the Texas Education Code. The requested information is being collected in accordance with applicable law. This requirement does not apply to a publicly held corporation.

If an individual: YES or NO
Have you been convicted of a felony? _____

If a business entity: YES or NO

Has any owner of your business entity been convicted of a felony? _____

Has any operator of your business entity been convicted of a felony? _____

If you answered yes to any of the above questions, please provide a general description of the conduct resulting in the conviction of the felony, including the Case Number, the applicable dates, the State and County where the conviction occurred, and the sentence.

I attest that I have answered the questions truthfully and to the best of my knowledge.

By: _____ Date: _____

Name: _____

Title: _____

Business Entity: _____

Signature of Firm's Authorized Official: _____

State of Texas

sworn to and subscribed before me at _____

Texas, this the _____ day of _____, 2006

Notary Public for the State

Of _____

ATTACHMENT NO. 10

STATE OF TEXAS AFFIDAVIT

This company, contractor, or subcontractor agrees to refrain from discrimination in terms and conditions of employment on the basis of race, color, religion, sex, physical handicap, or national origin, and agrees to take affirmative action as required by Federal Statutes and Rules and Regulations issued pursuant thereto in order to maintain and ensure nondiscriminatory employment practices.

Signed: _____

Name of Company: _____

Address of Company: _____

State of Texas

Sworn to and subscribed before me at _____

Texas, this the _____ day of _____, 2006.

Notary Public for the State

Of _____

**ATTACHMENT NO. 11
BUSINESS QUESTIONNAIRE**

FIRM NAME: _____

FIRM ADDRESS: _____

TELEPHONE: _____

FAX NUMBER: _____

EMAIL ADDRESS: _____

CONTACT PERSON'S NAME AND PHONE NO. (Type or Print):

SIGNATURE OF FIRM'S AUTHORIZED OFFICIAL: _____

NAME AND TITLE (Type or Print): _____

Do you or any officer, partner, owner, sales representative and/or spouse work for the Houston
Community College System? _____ Yes _____ No

If yes, please specify: _____

State in which your home office / headquarters is located? _____

If headquarters is located out of state, does that state have preferential treatment on Bids? _____
If yes, list percentage. _____%

Name of Financial Institution _____ Contact Person _____
Title _____

Please indicate how you became aware of this procurement? Source: _____

*Example: Newspapers (Chronicle, El Dia, Houston Star, African American News, etc.) Houston
Minority Business Council, HCCS Website, Chamber of Commerce, etc.)*

TYPE OF ORGANIZATION

_____ Individual _____ Sole Proprietorship
_____ Partnership _____ Corporation, Incorporated in _____

Federal Employer Identification Number _____
Social Security Number, if an individual _____

How long in business under present name _____
Number of persons now employed _____

BUSINESS CLASSIFICATION

_____ **DBE** Disadvantaged Business Enterprise _____ **SB** Small Business
_____ **WBE** Women Owned Business Enterprise _____ **MBE** Minority Business Enterprise
_____ **HUB** Historically Underutilized Business _____ Other: _____

** HCCS is an equal opportunity / educational institution, which does not discriminate on the basis of race, religion, national origin, gender, age or disability. HCCS encourages small and disadvantaged businesses to seek procurement opportunities*

REFERENCES

List three references (local or otherwise) which have been or are now your customer and at least one in which you have performed comparable work in quantity and scope to that specified in this solicitation.

Name of Firm	Address	Point of Contact	Telephone #
1.	_____		
2.	_____		
3.	_____		

State of Texas

Sworn to and subscribed before me at _____

Texas, this the _____ day of _____, 2006

Notary Public for the State
of _____

ATTACHMENT NO. 12

ASSURANCE OF SBDP GOAL

The undersigned certifies that he/she has read, understands and agrees to be bound by the small business provisions set forth in this Solicitation. The undersigned further certifies that he/she is legally authorized to make the statements and representations in the Solicitation and that said statements and representations are true and accurate to the best of his/her knowledge. The undersigned will enter into formal agreement(s) for work identified on the **CONTRACTOR AND FIRST TIER SUBCONTRACTOR PARTICIPATION** form conditioned upon execution of a contract with HCC. The undersigned agrees to attain the small business utilization percentages of the total offer amount as set forth below:

Small Business Participation Goal = BEST EFFORT

The undersigned certifies that the firm shown below has not discriminated against any small business or other potential subcontractor because of race, color, religion, gender, age, veteran's status, disability or national origin, but has provided full and equal opportunity to all potential subcontractors irrespective of race, color, religion, gender, age, disability, national origin or veteran status.

The undersigned understands that if any of the statements and representations are made knowing them to be false or there is a failure to implement any of the stated commitments set forth herein without prior approval of HCCS's Chancellor or the duly authorized representative, the Bidder may be subject to the loss of the contract or the termination thereof resulting from this bid and could be ineligible for future HCCS contract awards.

Signature _____

Title _____ Date of Signing _____

Firm Name _____

Address _____

Telephone Number _____

ATTACHMENT NO. 13
HCCSS VENDOR APPLICATION

The Houston Community College System Purchasing department has developed an online vendor application system. This system is designed to allow firms or individuals that are interested in doing business with HCCS to register online and become part of our vendor database. Once registered, you will receive a password and personal login information that will allow you to modify your vendor information anytime a change occurs with your company. You will have the flexibility to add or delete commodity lines, update phone numbers and contact information, etc. This database will allow HCCS to notify, via email, all companies that match the desired commodity criteria for procurement opportunities within Houston Community College System. What a great way to never miss out on an HCCS bid or bid opportunity again.

Please take a moment to go to the Houston Community College System Purchasing department website and register as a vendor. The website address to access the vendor registration form is

http://216.119.142.201/HCCSS/Supplier_Registration_Form.asp

Once you have completed your application, please print out a copy of the completed application and submit it with your completed bid package. If you do not have internet access you are welcome to use a computer at any HCCS library to access the website and register.

ATTACHMENT NO. 14
INSURANCE REQUIREMENTS

The insurance coverage and limits listed below are the minimum requirements that the vendor/contractor shall carry during performance of the contract for Depository Banking Services, Project No. 06-35.

1. **Commercial General Liability for Bodily Injury/Property Damage Limits:**
 - Occurrence/Personal Injury/Advertising/Products/Completed Operations \$1,000,000 CSL
 - Annual Aggregate \$2,000,000 CSL
 - Products Aggregate \$2,000,000 CSL
 - Fire, Lightning or Explosion \$1,000,000 CSL
 - Medical Expense \$5,000 Per Person

2. **Automobile Liability:**
 - Bodily Injury/Property Damage \$1,000,000. CSL

3. **Professional Liability:**

Professional liability coverage is required when a professional liability exposure is present. A minimum limit of \$5,000,000 CSL will be required.

4. **Cybernet Liability** \$1,000,000

5. **Fiduciary Liability** \$1,000,000

6. **Umbrella Liability:**

Umbrella liability may be required with a minimum limit of \$5,000,000 CSL.

7. **Endorsements:**

The following endorsements and other stated information is required on the original certificate of insurance:

- 90 days Notice of Cancellation;
- Houston Community College System be named as Additional Insured on all policies except Worker's Compensation;
- Waiver of Subrogation on all policies;
- The assigned project number and/or purchase order number.

8. Submission of Certificate of Insurance:

The original certificate of insurance, indicating the coverage, limits and endorsements stated herein, shall be furnished to Houston Community College System within 14 calendar days after receipt of a written purchase order or some other duly executed contractual document. Mail the original certificate of insurance to:

Houston Community College System
Risk Management Office
Post Office Box 667517 (MC-1119)
Houston, Texas 77266

**Houston Community College System
PROCUREMENT OPERATIONS**



PROPOSED/SAMPLE CONTRACT DOCUMENTS

FOR

DEPOSITORY BANK SERVICES

PROJECT NO. 06-35

PROPOSED/SAMPLE CONTRACT EXHIBITS

EXHIBIT A

BID/AWARD FORM

(Attachment No. 1 will become Exhibit A in the resulting contract.)

EXHIBIT B

SCHEDULE OF ITEMS AND PRICES

(Attachment No. 2 will become Exhibit B in the resulting contract.)

EXHIBIT C

SCOPE OF SERVICES/SPECIFICATION/STATEMENT OF WORK

(Attachment No. 3 will become Exhibit C in the resulting contract.)

EXHIBIT D

GENERAL TERMS AND CONDITIONS

1. **Contract Award**

A response to the solicitation is an offer to contract with Houston Community College System ("HCC") based on the terms and conditions contained therein. Bids do not become contracts until they are accepted by HCCS through issuance of written purchase orders or other duly executed documents.

2. **Contract Term**

The Contract performance period shall be for a two year period, with an option to renew for two (2) one-year continuations under the same terms and conditions of the Contract, unless otherwise extended or terminated by the Houston Community College System in accordance with the terms and conditions of this Contract. All contract renewals or extension may be subject to approval by the Board of Trustees. The Depository Contract term also provides for an extension period not to exceed 90 days for the transition to the new depository at the end of the term.

3. **Interpretation, Jurisdiction and Venue**

The Contract shall be construed and interpreted solely in accordance with the laws of the State of Texas. Venue of any suit, right or cause of action arising under or in connection with the contract shall be exclusively in Harris County, Texas.

4. **Compliance with Laws**

The Depository Bank shall give all notices and comply with all Federal, State of Texas and local laws. Upon request, the Contractor shall furnish to HCC certificates of compliance with all such laws.

5. **Taxes**

HCC is tax exempt as a governmental subdivision of the State of Texas under Section 501C (3) of the Internal Revenue Code. Limited Sales Tax Number: 1-74-1709152-1.

6. **Termination for Convenience**

HCC may, at its option and discretion, terminate or reduce the statement of work or other requirements of the contract at any time, without any default on the part of the contractor, by giving thirty (30) calendar days written notice thereof to the Contractor.

7. **Termination for Default**

HCC may terminate the contract immediately for default, by giving written notice thereof to the Contractor, if the Contractor neglects to execute the work properly; performs in an unsatisfactory manner or fails to perform any provisions of the contract. In the event of termination for default, HCC shall have against the Contractor, all remedies provided by law and equity.

8. **Ethics Conduct**

Any direct or indirect actions taken to unduly influence competitive purposes, to circumvent equal consideration for competitive bidders, or to disregard ethical and legal trade practices will disqualify vendors and contractors from current and future consideration for participation in HCC orders and contracts.

9. **Small Business Development Program (SBDP)**

The Contractor hereby agrees to attain small business participation as a BEST EFFORT of the total contract amount. The Contractor agrees to enter into agreements for the Work identified in Attachment No.7, entitled Contractor and First Tier Subcontractor/Supplier Participation. The subcontracting goal applies to all vendors regardless of their status. The Contractor's failure to comply with the aforementioned small business participation provisions may result in:

- Withholding of payment until such compliance is achieved or a waiver of the provisions is provided by HCC.
- Revocation of any benefits and incentives provided under the program or suspension or termination of the contract in whole or in part.

10. **Small Business Compliance**

To ensure compliance with the stated small business participation goal in this contract, the Contractor shall meet with the procurement staff member responsible for the project and a Representative of the Economic Development Office at the 50% and 75% completion phase/date, to verify small business activity.

11. **Changes**

HCC shall have the right, at any time, to make changes within the scope of the contract. If such change causes a material increase in the contractor's cost and/or the time for performance, the Contractor shall so notify HCC in writing within ten (10) calendar days from the date of the contractor's receipt of the notice of change, and an equitable adjustment in the price and/or the time of performance shall be mutually agreed upon between the parties. No such change shall be effective in the absence of express written direction of HCC.

12. Insurance Requirements

The Contractor agrees to comply with the insurance requirements contained herein, if any.

13. Indemnification

The Contractor shall hold HCC, its agents, employees, trustees and other officers harmless from any claim or liability asserted against it by reason of the negligence of the Contractor, its agents, servants and employees in the performance of the Contract.

14. Independent Contractor

It is agreed and understood that the Contractor shall be deemed to be an independent contractor in all its operations and activities hereunder; that the employees furnished by the Contractor to perform the services required by the contract shall be deemed to be Contractor's employees or independent subcontractors; that the Contractor's employees shall be paid by the Contractor; and the Contractor and its employees shall be responsible for all obligations and reports covering social security, unemployment insurance, income tax, and other reports and deductions required by State and Federal law.

15. Assignment

The Contractor may not assign or transfer any of its rights, duties or obligations under this Agreement, in whole or in part, without the prior written consent of HCC. This Contract shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors and permitted assigns.

16. Notices

All notices hereunder by either party to the other shall be in writing, delivered personally, by certified or registered mail, return receipt requested, or by overnight courier, and shall be deemed to have been duly given when delivered personally or when deposited in the United States mail, postage prepaid addressed as follows:

Houston Community College System:
Procurement Operations (11th Floor)
3100 Main Street
Houston, Texas 77002
ATTN: Michael Kyme
Executive Director, Procurement Operations

Contractor:

ATTN: _____

17. Entire Agreement

This Contract and its accompanying exhibits contain the entire understanding of the parties regarding the services or materials provided and supersede all prior agreements, oral or written, and all other communications between the parties relating to the subject matter. This Agreement may not be amended or modified, except by mutual written agreement between the parties hereto.

18. Invoicing and Payment

The Contractor shall submit an original invoice to the address shown below for the goods or services which have been inspected and accepted by HCC:

Houston Community College System
Accounts Payable
P.O. Box 667460
Houston, Texas 77266-7460
Reference: Project No. 06-35

Generally, payment will be made within thirty (30) calendar days after receipt of a properly prepared invoice or acceptance of the goods or services, whichever is later. Payment shall be considered made when HCC deposits the Contractor's payment in the mail or the date on which an electronic transfer of funds occurs.

19. Appropriated Funds

The purchase of any service or product under this contract beyond the initial contract period is contingent upon the availability of appropriated funds. HCC shall have the right to cancel this contract at the end of the current fiscal year if funds are not allotted for the next fiscal year to continue this contract. If funds are withdrawn or do not become available, HCC reserves the right to cancel this contract by giving the Contractor a thirty (30) day written notice of cancellation without penalty. Upon cancellation of this contract, HCC shall not be responsible for any payment of any service or product received that occur after the end of the current contract period.

EXHIBIT E

CONTRACTOR AND FIRST TIER SUBCONTRACTOR/SUPPLIER PARTICIPATION

Bidder/offerer presents the following participants in this solicitation and any resulting Contract. All bidders / offerers, including small businesses bidding as prime contractors, are required to demonstrate good faith efforts to include eligible small businesses in their bid submissions as subcontractors and/or suppliers.

CONTRACTOR	Type of Work to be Performed or Materials Supplied	Indicate if Small Business, DBE, HUB, MBE, etc.	Percentage of Contract Effort	Price
Business Name:				
Business Address:				
Telephone No. :				
Contact Person:				
SUBCONTRACTORS				
Business Name:				
Business Address:				
Telephone No. :				
Contact Person:				
Business Name:				
Business Address:				
Telephone No. :				
Contact Person:				
SUPPLIERS				
Business Name:				
Business Address:				
Telephone No. :				
Contact Person:				
Business Name:				
Business Address:				
Telephone No. :				
Contact Person:				

Submitted by: _____ Business Name: _____
 Address: _____
 Telephone/Fax: _____ Date: _____

TOTAL \$ _____
 Contractor \$ _____
 Subcontractor(s) \$ _____
 Supplier (s): \$ _____

EXHIBIT F

**HOUSTON COMMUNITY COLLEGE SYSTEM
SUBCONTRACTOR / SUBCONSULTANT / SUPPLIER PAYMENT CERTIFICATION**

Project No. 06-35

(This form is to be completed by the Subcontractor/Subconsultant or Supplier for each payment received from the Prime Contractor/Consultant.)

NAME OF FIRM: _____

ADDRESS: _____

The above firm is a: (check one)

- Subcontractor
- Subconsultant
- Supplier

I hereby certify that the above firm has received payment on _____ from _____ in the amount of \$_____ as full payment of our invoice dated _____ for work performed or materials provided during _____ under subject Contract/Project No.
(Time Period)

(To be signed by Officer of the Firm)

Signature _____

Printed or Typed Name _____

Title _____

Please Mail This Form To:
Houston Community College System
Procurement Operations Department
3100 Main Street, (11th Floor)
Houston, TX 77002
Attn: Georgia Coats, Senior Buyer

EXHIBIT G

HOUSTON COMMUNITY COLLEGE SYSTEM

PROGRESS ASSESSMENT REPORT OF WORK SUBCONTRACTED

Reporting Period: From _____ To _____

Consultant / Contractor _____ Project No. 06-35

Total Contract Amount (Prime Contractor): \$ _____

Subconsultant / Subcontractor / Supplier (Name)	Total Subcontract Amount \$ _____	Amount Paid This Period \$ _____	Total Paid to Date \$ _____

I hereby certify that _____ has made timely payments from proceeds of prior payments, and will make payments within five (5) calendar days of receipt of funds now due from HCCS to our subcontractors and suppliers in accordance with contractual arrangements with them.
(Prime Contractor)

To be reported monthly:

Name: _____
Signature: _____
Title: _____
Phone: _____
Date: _____

Mail This Form To:
Houston Community College System
Procurement Operations Department
3100 Main Street, (11th Floor)
Houston, TX 77002
Attn: Georgia Coats, Senior Buyer

EXHIBIT H

INSURANCE REQUIREMENTS

The insurance coverage and limits listed below are the minimum requirements that the vendor/contractor shall carry during performance of the contract for Depository Banking Services, Project No. 06-35.

2. **Commercial General Liability for Bodily Injury/Property Damage Limits:**
 - Occurrence/Personal Injury/Advertising/Products/Completed Operations \$1,000,000 CSL
 - Annual Aggregate \$2,000,000 CSL
 - Products Aggregate \$2,000,000 CSL
 - Fire, Lightning or Explosion \$1,000,000 CSL
 - Medical Expense \$5,000 Per Person

2. **Automobile Liability:**
 - Bodily Injury/Property Damage \$1,000,000 CSL

3. **Professional Liability:**

Professional liability coverage is required when a professional liability exposure is present. A minimum limit of \$5,000,000 CSL will be required

4. **Cybernet Liability** \$1,000,000

5. **Fiduciary Liability** \$1,000,000

6. **Umbrella Liability:**

Umbrella liability may be required with a minimum limit of \$5,000,000 CSL.

7. **Endorsements:**

The following endorsements and other stated information is required on the original certificate of insurance:

- 90 days Notice of Cancellation;
- Houston Community College System be named as Additional Insured on all policies except Worker's Compensation;
- Waiver of Subrogation on all policies;
- The assigned project number and/or purchase order number.

8. Submission of Certificate of Insurance:

The original certificate of insurance, indicating the coverage, limits and endorsements stated herein, shall be furnished to Houston Community College System within 14 calendar days after receipt of a written purchase order or some other duly executed contractual document.

Mail the original certificate of insurance to:

Houston Community College System
Risk Management Office
Post Office Box 667517 (MC-1119)
Houston, Texas 77266

EXHIBIT I

HOUSTON COMMUNITY COLLEGE SYSTEM

INVESTMENT POLICY

(Revised December 2005)

HOUSTON COMMUNITY COLLEGE SYSTEM, TEXAS **INVESTMENT POLICY**

PREFACE

The purpose of this document is to set forth specific investment policy and strategy guidelines for the Houston Community College System (the "HCCS") in order to achieve the goals of safety, liquidity, yield, and public trust for all investment activity. The Board of Trustees of HCCS shall review its investment strategies and policy not less than annually. This policy serves to satisfy the statutory requirements (specifically the Public Funds Investment Act, Chapter 2256 of the Texas Government Code [the Act]) to define, adopt and review a formal investment strategy and policy.

It is the policy of HCCS that, giving due regard to the safety and risk of investment, all available funds shall be invested in conformance with State and Federal regulations, applicable Bond Resolution requirements, adopted Investment Policy and adopted Investment Strategy.

Effective investment strategy development coordinates the primary objectives of HCCS' Investment Policy and cash management procedures with investment security risk/return analysis to enhance interest earnings and reduce investment risk and aggressive cash management to increase the available "investment period." Maturity selections shall be based on cash flow and market conditions to take advantage of interest earnings as viable and material revenue to all HCCS funds. HCCS' portfolio shall be designed and managed in a manner responsive to the public trust and consistent with the Investment Policy.

Each major fund type has varying cash flow requirements and liquidity needs. Therefore, specific strategies shall be implemented considering the fund's unique requirements.

HOUSTON COMMUNITY COLLEGE SYSTEM INVESTMENT POLICY

TABLE OF CONTENTS

SECTION TITLE	<u>SECTION # Page #</u>
Preface	
Purpose	1. Page 4
Policy	2. Page 4
Investment Strategy	3. Page 4
Scope	4. Page 7
Investment Objectives	5. Page 8
Investment Responsibility	6. Page 9
Authorized Investments	7. Page 11
Effect of Loss of Required Rating	8. Page 15
Diversification	9. Page 15
Authorized Financial Dealers and Institutions	10. Page 16
Safekeeping and Collateralization	12. Page 17
Performance	13. Page 19
Reporting	14. Page 19
Investment Policy Adoption and Amendment	15. Page 20

INVESTMENT POLICY

1. **PURPOSE.** The purpose of this investment policy (the Policy) is to set forth specific investment policy and strategy guidelines for HCCS in order to achieve the goals of safety, liquidity, achieving a market rate of return and maintaining public trust for all investment activities. The Board of Trustees of HCCS shall review the investment strategy and policy at least annually, and the Board of Trustees shall annually approve the Investment Policy, including any revisions.
2. **POLICY.** It is the policy of the Houston Community College System (the “HCCS”) that after allowing for the anticipated cash flow requirements of HCCS and giving due consideration to the safety and risks of investments, all available funds shall be invested in conformance with these legal and administrative guidelines to obtain a market rate of return.

Effective cash management is recognized as essential to good fiscal management. An active cash management and investment policy will be pursued to take advantage of investment interest as a viable and material source of revenue for HCCS funds. HCCS’ portfolio shall be designed and managed in a manner designed to maximize this revenue resource, to be responsive to the public trust, and be in compliance with legal requirements and limitations. HCCS will invest HCCS funds in a manner, which will provide the maximum security and a market rate of return while meeting the daily cash flow demands of HCCS.

Investment shall be made with the primary objectives of:

- ❖ **Safety** and preservation of principal
- ❖ Maintenance of sufficient **liquidity** to meet operating needs
- ❖ Maximization of **yield** on the portfolio
- ❖ **Public trust** from prudent investment activities

3. **INVESTMENT STRATEGY.** HCCS maintains a portfolio that utilizes specific investment strategy considerations designed to address the unique characteristics of the fund groups represented in the portfolio. HCCS maintains a comprehensive and proactive cash management program, which is designed to monitor and control all HCCS funds to ensure maximum utilization and yield a market rate of return. The investment strategy emphasizes low credit risk, diversification, and the management of maturities. In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. The composite portfolio will have a dollar weighted average maturity of two (2) years or less. The management of maturities refers to structuring the maturity dates of the direct investments so that, while funds are initially invested for a longer period of time, some investments mature as cash needs require. The allowable investment instruments as defined in Section 7 of this Policy reflect the avoidance of credit risk. Diversification refers to dividing investments among a variety of securities offering independent returns. This strategy uses local government investment pools to achieve diversification.

3.1 **The primary investment strategy and objectives** of HCCS as specified in this Policy (See Section 2.) are listed below, in their order of importance:

- Safety and preservation of principal;
- Maintenance of sufficient liquidity to meet operating needs;
- Achieve a market rate of return on the investment portfolio; and
- Seek at all times to maintain public trust by adhering to the above stated objectives.

3.2 **The list of investments authorized** by this Policy intentionally excludes some investments allowed by state law. The restrictions limit possible credit risk and provide the maximum measure of safety. Within the investment objectives, the investment strategy is to utilize authorized investments for maximum advantage to HCCS. To increase the interest earnings for funds identified as being available for investment over longer periods of time based upon a cash requirements projection, HCCS will consider the following strategies:

3.2.1 **Strategy No. 1.** Diversifying HCCS' investment opportunities through the use of local government investment pools and money market mutual funds as authorized by the Board of Trustees. An investment pool is an entity created to invest public funds jointly on behalf of its participants and whose investment objectives in order of priority match those objectives of HCCS. Funds are usually available from investment pools on a same-day basis, meaning the pools have a high degree of liquidity. Because of the size and expertise of their staff, investment pools are able to prudently invest in a variety of the investment types allowed by state law. In this manner, investment pools achieve diversification. The strategy of HCCS calls for the use of investment pools as a primary source of diversification and supplemental source of liquidity. Funds that may be needed on a short-term basis but that are in excess of the amount maintained at the depository bank are available for deposit in investment pools.

3.2.2 **Strategy No. 2.** Building a ladder structure of Investment Policy authorized securities with staggered maturities for all or part of the longer term investable funds. The benefits of this ladder approach include the following:

- It is straight-forward and easily understood;
- It represents a prudent diversification method;
- All investments remain within the approved maturity horizon;
- It will normally allow HCCS to capture a reasonable portion of the yield curve; and,
- It provides predictable cash flow with scheduled maturities and reinvestment opportunities.

3.2.3 **Strategy No. 3.** Pursuant to the Public Funds Investment Act (Texas Government Code 2256.003), HCCS may, at its discretion, contract with an investment management firm registered under the Investment Advisors Act of 1940 (15 U.S.C. Section 80b-1 et seq.) and with the State Securities Board to provide for investment and non-discretionary management of its public funds or other funds under its control.

An appointed Investment Advisor shall act solely in an advisory and administrative capacity, within the guidelines of this Investment Policy. At no time shall the Advisor take possession of securities or funds or otherwise be granted authority to transact business on behalf of HCCS. Any contract awarded by HCCS for investment advisory services may not exceed two years, with an option to extend by mutual consent of both parties.

Duties of the Investment Advisor contracted by HCCS shall abide by the Prudent Expert Rule, whereby investment advice shall, at all times, be given with the judgment and care, under circumstances then prevailing, which persons paid for their special prudence, discretion and intelligence in such matters exercised in the management of their client's affairs, not for speculation by the client or production of fee income by the advisor or broker, but for investment by the client with emphasis on the probable safety of the capital while considering the probable income to be derived.

Chapter 2263 of the Texas Government Code mandates certain actions by governing boards of state entities involved in the management and investment of state funds and adds disclosure requirements for outside financial advisors and service providers. Ethic and disclosure requirements for outside financial advisors and service providers are in Chapter 2263.01 through 2263.06 of the Texas Government Code.

3.2.4 **Strategy No. 4.** HCCS will maintain portfolio(s), which utilize four specific investment strategy considerations designed to address the unique characteristics of the fund group(s) represented in the portfolio(s):

3.2.4.1 Investment strategies for operating funds and pooled funds containing operating funds have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. The secondary objective is to create a portfolio structure that will experience minimal volatility during economic cycles through diversification by security type, maturity date, and issuer. All security types, as authorized by this policy, are considered suitable investments for the operating and pooled funds.

3.2.4.2 Investment strategies for debt service funds shall have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligation on the required payment date(s). These funds have predictable payment schedules. Securities purchased shall not have a stated final maturity date which exceeds the debt service payment date, or funds shall be maintained in an investment pool or money market mutual fund to be available for debt service payments.

3.2.4.3 Investment strategies for bond funds and debt service reserve funds shall have as the primary objective the ability to generate a dependable revenue stream to the appropriate debt service fund with low degree of volatility. Managing the Debt Service Reserve Fund's portfolio maturities to not exceed the call provisions of the bond issue will reduce the investment's market risk if HCCS' bonds are called and the reserve fund liquidated. Except as may be required by the bond ordinance specific to an individual issue, securities should be of high quality, with short to medium term maturities. No investment maturity shall exceed the final maturity of the bond issue.

3.2.4.4 Debt Service Funds, including reserves and sinking funds, to the extent not required by law or existing contract to be kept segregated and managed separately.

3.2.4.5 Investment strategies for special projects or capital projects funds will have as their primary objective to assure that anticipated cash flows are matched with adequate investment liquidity. Market conditions and arbitrage regulations will influence the investment of capital project funds. When market conditions allow, achieving a positive spread to applicable arbitrage yield is the desired objective; although at no time shall the anticipated expenditure schedule be exceeded in an attempt to increase yield.

3.2.5 **Strategy No. 5 - Hold until Maturity.** The strategy of HCCS is to maintain sufficient liquidity in its portfolio so that it does not need to sell a security prior to maturity. Should it become necessary to sell a security prior to maturity, where the sale proceeds are less than the current book value, the Investment Officer may authorize the sale of those securities.

4. **SCOPE.** The Investment Policy shall govern the investment of all financial assets considered to be part of HCCS entity and includes the following funds or fund types: Operating, Auxiliary, Unexpended, and Plant Replacement Funds, Endowment and Loan Funds, Debt Service Funds, and any other funds which have been contractually delegated to HCCS for management purposes. HCCS may add or delete funds as may be required by law, or for proper accounting procedures. This policy does not include funds governed by approved trust agreements, or assets administered for the benefit of HCCS by outside agencies under retirement or deferred compensation programs. Additionally, bond funds (including debt service and reserve funds) are governed by bond ordinances and are subject to the provisions of the Internal Revenue Code and applicable federal regulations governing the investment of bond proceeds.

5. **INVESTMENT OBJECTIVES.** HCCS shall manage and invest its cash with four primary objectives, listed in order of priority: **safety, liquidity, yield, and public trust.** The safety of the principal invested always remains the primary objective. All investments shall be designed and managed in a manner responsive to public trust and consistent with all applicable Texas statutes, this Policy and any other approved, written administrative procedures.

HCCS shall maintain a comprehensive cash management program which includes collection of accounts receivable, vendor payments in accordance with invoice terms, and prudent investment of available cash. Cash management is defined as the process of managing monies in order to insure maximum cash availability and maximum yield on short-term investment of pooled idle cash.

The four objectives of HCCS' investment activities shall be as follows (in the order of priority):

5.1 **Safety of Principal.** Safety of principal invested is the foremost objective in the investment decisions of HCCS. Each investment transaction shall seek to ensure the preservation of capital in the overall portfolio. The risk of loss shall be controlled by investing only in authorized securities as defined in this Policy, by qualifying the financial institutions with whom HCCS will transact, and by portfolio diversification. Safety is defined as the undiminished return of the principal on HCCS' investments.

5.2 **Liquidity.** HCCS' 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. Because all possible cash demands cannot be anticipated, the portfolio will also be placed in money market mutual funds or local government investment pools which offer same day liquidity for short-term funds.

5.3 **Market Rate-of-Return (Yield).** HCCS' investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objective described above. The core of investments is limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

5.4 **Public Trust.** All participants in HCCS' investment program shall seek to act responsibly as custodians of the public trust. Investment officials shall avoid any transaction which might involve a conflict of interest or otherwise impair public confidence in HCCS' ability to govern effectively. All officials of HCCS having either a direct or indirect role in the process of investing idle funds shall act responsibly as custodians of the public trust.

6. **INVESTMENT RESPONSIBILITY AND CONTROL.** The authority for investing funds rests with the Board of Trustees. As provided in this policy, the daily operation and management of HCCS' investments are the responsibility of the following persons. These individuals must be qualified and capable in making investment decisions.

6.1 **Delegation of HCCS.** The Board of Trustees delegates the authority to invest HCCS funds to the Vice Chancellor, Finance and Administration. Therefore, the Vice Chancellor, Finance and Administration is the Investment Officer for Houston Community College System and is authorized to deposit, withdraw, invest, transfer or manage in any other manner the funds of HCCS. In the management of the investment program, the Vice Chancellor, Finance and Administration shall establish written procedures for the operation of the investment program consistent with this Policy. Such procedures shall include explicit delegation of HCCS to persons responsible for investment transactions. All persons involved in investment activities will be referred to in this Policy as "Investment Officials." No persons may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the

Vice Chancellor, Finance and Administration. The Vice Chancellor, Finance and Administration shall be responsible for all transactions undertaken, and shall establish a system of controls to regulate the activities of subordinate Investment Officials. The system of controls shall be designed to provide reasonable assurance that ensures the assets of HCCS are protected from loss, theft or misuse. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived; and,
- (2) the valuation of costs and benefits requires estimates and judgments by management.

The Vice Chancellor, Finance and Administration shall be designated as the primary investment officer for HCCS and shall be responsible for investment decisions and activities under the direction of the Board of Trustees. The Vice Chancellor, Finance and Administration may delegate any phase of the investment program to the Executive Director, Business Affairs. Both the Vice Chancellor, Finance and Administration and the Executive Director, Business Affairs are responsible for daily investment decisions and activities, however, ultimate responsibility for investment decisions will rest with the Vice Chancellor, Finance and Administration. Commitment of financial and staffing resources in order to maximize total return through active portfolio management shall be the responsibility of the Board of Trustees.

6.2 **Prudence.** The standard of prudence to be applied by the Investment Officer shall be the "prudent investor" rule, which states, "investments shall be made with judgment 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." In determining whether the Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration the following:

- 6.2.1 The investment of all funds over which the Investment Officer had responsibility rather than a consideration as to the prudence of a single investment; and,
- 6.2.2 whether the investment decision was consistent with the written investment Policy and procedures of HCCS.

6.3 **Due Diligence.** The Investment Officer acting in accordance with written policies and procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes. All Investment Officials involved in investment transactions will be bonded.

6.4 **Ethical Standards and Conflicts of Interest.** All HCCS Investment Officials having a direct or indirect role in the investment of HCCS funds shall act as custodians of the public trust avoiding any transaction which might involve a conflict of interest, the appearance of a conflict of interest, or any activity which might otherwise discourage public confidence. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions.

An Investment Officer who has a personal business relationship with the depository bank or with any entity seeking to sell an investment to HCCS shall file a statement disclosing that personal business interest. Investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Investment Officials shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of HCCS.

An Investment Officer who is related within the second degree of affinity or consanguinity to an individual seeking to sell an investment to HCCS shall file a statement

disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the Board of Trustees.

6.5 **Training.** Each member of the Board of Trustees shall attend at least one training session related to the person's responsibilities within six months after taking office or assuming duties. The training will include education in investment controls, security risks, strategy risks, market risk, diversification of investment portfolio, and compliance with the Public Funds Investment Act.

The investment officers shall attend at least one training session containing at least 10 hours of instruction relating to the officer's responsibility under the Public Funds Investment Act within twelve (12) months after assuming duties, and attend an investment training session not less than once every two years, receiving an additional ten (10) hours of training. The investment training session shall be provided by an independent source approved by the Board of Trustees or a designated investment committee advising the investment officer. Such training from an independent source shall include the Texas Higher Education Coordinating Board, the Government Finance Officers Association of Texas, the Government Treasurers Organization of Texas, the Texas Municipal League, the University of North Texas Center Public Management, or any other professional organization, institute of higher learning, or any other sponsor other than a business organization with whom the Board of Trustees may engage in an investment transaction.

6.6 **Internal Control.** The Investment Officer shall establish a system of written internal controls, which shall be reviewed annually by independent auditors. The controls shall be designed to prevent loss of public funds due to fraud, error, misrepresentation, unanticipated market changes, or imprudent actions. The internal controls are to be reviewed annually in conjunction with an external independent audit. This review will provide assurance of compliance with policies and procedures as specified by this Policy. HCCS, in conjunction with its annual financial audit, shall perform a compliance audit of management controls and adherence to HCCS' established investment policy. The internal controls shall address the following points.

- ❖ Control of collusion.
- ❖ Separation of transactions authority from accounting and record keeping.
- ❖ Custodial safekeeping.
- ❖ Avoidance of physical delivery securities.
- ❖ Clear delegation of authority to subordinate staff members.
- ❖ Written confirmation for telephone (voice) transactions for investment and wire transfers.
- ❖ Development of wire transfer agreement with the depository bank or third party custodian.

7. **AUTHORIZED INVESTMENTS.** As stated previously, safety of principal is the primary objective in investing HCCS funds and can be accomplished by limiting two types of risk-credit risk and interest rate risk. Credit risk is the risk associated with the failure of a security issuer or backer. Interest rate risk is the risk that the value of a portfolio will decline due to an increase in the general level of interest rates. In order to provide for safety of principal as HCCS' primary objective, only certain investments are authorized as acceptable investments for HCCS. HCCS is not required to liquidate investments that were authorized investments at the time of purchase. The following list of authorized investments for HCCS intentionally excludes some investments authorized by law. These restrictions are placed in order to limit possible risk and provide the maximum measure of safety to HCCS funds.

7.1 **Authorized and Acceptable Investments.** The authorized list of investment instruments are as follows:

7.1.1 **Obligations of the United States** or its agencies and instrumentalities.

7.1.2 **Direct obligations** of the State of Texas, or its agencies and instrumentalities.

7.1.3 **Other obligations**, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities.

7.1.4 **Collateralized Certificates of Deposit**. A certificate of deposit issued by a depository institution that has its main office or a branch office in this state, and is:

- guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;
- secured by obligations that are described by Section 2256.009(a) of the Public Funds Investment Act, including mortgage backed securities directly issued by a federal agency or instrumentality, but excluding those mortgage backed securities of the nature described in Section 2256.009(b) of the Act; or
- secured in any other manner and amount provided by law for deposits of HCCS.

7.1.5 **Eligible Local Government Investment Pools**. Public funds investment pools which invest in instruments and follow practices allowed by the current law as defined in Section 2256.016 of the Texas Government Code, provided that:

- the investment pool has been authorized by the Board of Trustees;
- the investment pool has an advisory board as specified in the Public Funds Investment Act.
- the pool shall have furnished the Investment Officer an offering circular containing the information required by Section 2256.016(b) of the Texas Government Code;
- the pool shall furnish the Investment Officer investment transaction confirmations with respect to all investments made with it;
- the pool shall furnish to the Investment Officer monthly reports containing the information required under Section 2256.016(c) of the Texas Government Code;
- the pool is continuously rated no lower than “AAA” or “AAA-m” or an equivalent rating by at least one nationally recognized rating service;
- the pool marks its portfolio to market daily;
- the pool’s investment objectives shall be to maintain a stable net asset value of one dollar (\$1.00); and
- the pool’s investment philosophy and strategy are consistent with this Policy.

7.1.6 **Repurchase Agreements, Reverse Repurchase Agreements, Bankers’ Acceptances**. Fully collateralized Repurchase Agreements. The agreement must have a defined termination date and must be secured by obligations of the United States or its agencies and instrumentalities.

7.1.6.1 The agreement must be pledged to HCCS, held in the name of HCCS, and deposited at the time the investment is made with HCCS’ custodial (safekeeping) agent, and is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the state of Texas.

7.1.6.2 No repurchase agreement shall be entered into unless a Master Repurchase Agreement has been executed between HCCS and its trading partner.

7.1.6.3 All repurchase agreement transactions will be on a deliver vs. payment basis.

7.1.6.4 Securities received for repurchase agreements must have a market value greater than or equal to 102 percent at time funds are disbursed.

7.1.7 **Bankers' Acceptances.** These investments are authorized, under the following condition:

- has a stated maturity of 270 days or fewer from the date of its issuance;
- will be, in accordance with its terms, liquidated in full at maturity;
- is eligible for collateral from borrowing from a Federal Reserve Bank; and
- is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency

7.1.8 **Regulated No-Load Money Market Mutual Funds.** These investments are authorized, under the following conditions:

- the money market mutual fund is registered with and regulated by the Securities and Exchange Commission;
- the fund provides HCCS with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940;
- the fund has a dollar-weighted average portfolio maturity of ninety (90) days or less;
- the investment objectives include the maintenance of a stable net asset value of one dollar (\$1.00) per share; and
- the fund is continuously rated no lower than "AAA" or an equivalent rating by at least one nationally recognized rating service

HCCS may not invest funds under its control in an amount that exceeds 10% of the total assets of any individual money market mutual fund.

7.1.9 **Regulated No-load Mutual Fund** is an authorized investment if the mutual fund:

- is registered with the Securities and Exchange Commission;
- has an average weighted maturity of less than two years;
- is invested exclusively in obligations approved by this Policy;
- is continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent.
- complies with the information and reporting requirements for investment pools as prescribed in the Public Funds Investment Act.

HCCS may not invest funds under its control in an amount that exceeds 15% of the total monthly average fund balance, excluding bond proceeds, reserves and debt service funds.

7.1.10 **Commercial Paper** with a stated maturity of 270 days or less from the date of issuance that either: is rated not less than A-1, P-1, or the equivalent by at least two nationally recognized credit rating agencies; or is rated at least A-1, P-1, or the equivalent by at least one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof.

7.1.11 **Obligations of States, Agencies, Counties, Cities,** and other political subdivisions of any State having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.

7.1.12 **Securities Lending Program** in accordance with Chapter 2256.0115 of the Public Funds Investment Act.

7.2 **Investment Instruments NOT Authorized.** State law specifically prohibits investment in the following securities:

7.2.1 Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pay no principal.

7.2.2 Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest.

7.2.3 Collateralized mortgage obligations that have a stated final maturity date of greater than ten years.

7.2.4 Collateralized mortgage obligations, the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

8. **EFFECT OF LOSS OF REQUIRED RATING.** The Investment Officer will take all prudent measures that are consistent with this Investment Policy to liquidate an investment that is downgraded to less than the required minimum rating.

9. **DIVERSIFICATION.** Diversification of investment instruments shall be utilized to avoid incurring unreasonable risks resulting from over-concentration of investments in a specific maturity, a specific issue, or a specific class of securities. With the exception of U.S. Government securities, as authorized in this Policy, and authorized local government investment pools, no more than fifty percent (50%) of the total investment portfolio will be invested in any one security type or with a single financial institution. Diversification of the portfolio considers diversification by maturity dates and diversification by investment instrument.

9.1 **Diversification by Maturities.** The longer the maturity of investments, the greater their price volatility. Therefore, it is HCCS' policy to concentrate its investment portfolio in shorter-term securities in order to limit principal risks caused by change in interest rates. HCCS will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, HCCS will not directly invest in securities maturing more than ten (10) years from the date of purchase. However, the above described obligations, certificates, or agreements may be collateralized using longer date instruments. HCCS shall diversify the use of investment instruments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Maturity scheduling shall be managed by the Investment Officer so that maturities of investments shall be timed to coincide with projected cash flow needs.

The entire HCCS portfolio, including funds at HCCS' depository bank, shall comprise one pooled fund group, and the maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio is two (2) years or less. Investment maturities for debt service interest and sinking funds and/or other types of reserve funds, whose use is longer-term, may not exceed ten (10) years.

9.2 **Diversification by Investment Instrument.** Diversification by investment instrument shall not exceed the following guidelines for each type of instrument:

**Percentage of Portfolio
(Maximum)**

U.S. Treasury Obligations

100%

U.S. Government Agency Securities and Instrumentalities of Government-Sponsored Corporations	80%
Authorized Local Government Investment Pools	100%
Fully Collateralized Certificates of Deposit	100%
Fully Collateralized Repurchase Agreements	10%
SEC-Regulated No-Load Money Market Mutual Funds	50%
SEC-Regulated No-Load Mutual Funds	50%
Commercial Paper	20%
Obligations of States, Agencies, Counties, Cities	20%

10. **AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS.** Financial institutions (federally insured banks) with and through whom HCCS invests shall be state or national banks, which have main offices or a branch office in this state. No public deposit shall be made except in a qualified public depository as established by state laws. Broker/dealers authorized to provide investment services to HCCS may include only those authorized by the Board of Trustees. All banking services will be governed by a depository contract awarded by the Board of Trustees. In addition, the Vice Chancellor, Finance and Administration shall maintain a list of authorized security brokers/dealers, and investment pools that are authorized by the Board of Trustees.

10.1 **Financial Institutions.** All financial institutions and brokers/dealers with whom HCCS does business must supply the following as appropriate: (1) audited financial statements; (2) proof of National Association of Securities Dealers (NASD) certification; (3) proof of state registration; (4) completed broker/dealer questionnaire; (5) certification of having read HCCS' investment policy signed by a qualified representative of the organization, acknowledging that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between HCCS and the organization.

10.2 **Annual Review of Bidders Financial Conditions.** An annual review of the financial condition and registration of qualified bidders will be conducted by the Vice Chancellor, Finance and Administration. The review may include, but is not limited to, review of rating agency reports, review of call reports, and analyses of management, profitability, capitalization, and asset quality. Financial institutions and brokers/dealers desiring to conduct business with HCCS shall be required to provide any financial data requested by the Investment Officer. Upon completion of the annual review by the Vice Chancellor, Finance and Administration, the financial institutions and brokers/dealers desiring to conduct business with HCCS shall be approved by the Board of Trustees.

10.3 **Selection Criteria** for federally insured financial institutions shall include the following: (1) the financial institution must be insured by the FDIC; (2) the financial institution must be incorporated under the laws of the State of Texas or of the United States of America; and (3) the financial institution must be located within the corporate boundaries of HCCS. Depositories located outside HCCS limits, but within Harris County may be eligible to bid on investments, provided the financial institution maintains a place of business within the State of Texas and offers within the State the services required by the depository services contract; and the Board of Trustees, has adopted a written policy expressly permitting the consideration of applications received by HCCS from a financial institution that is not doing business within HCCS, after taking into consideration what is in the best interest of HCCS in establishing a depository.

10.4 **Monitoring Investments.** The Investment Officer of HCCS is responsible for monitoring the investments made by a financial institution and/or broker/dealer to determine that they are in compliance with the provisions of the Investment Policy.

11. **DELIVERY VERSUS PAYMENT.** It is the policy of HCCS that all security transactions entered into with HCCS shall be conducted on a "**DELIVERY VERSUS PAYMENT**" (DVP) basis through the

Federal Reserve System, with the exception of investment pools and mutual funds. By doing this, HCCS funds are not released until HCCS has received, through the Federal Reserve wire, the securities purchased. HCCS shall authorize the release of funds only after receiving notification from the safekeeping bank that a purchased security has been received in the safekeeping account of HCCS. The notification may be oral, but shall be confirmed in writing.

12. SAFEKEEPING AND COLLATERALIZATION

12.1 **Safekeeping.** All securities owned by HCCS shall be held by its safekeeping agent, except the collateral for bank deposits. The collateral for bank deposits will be held in a Federal Reserve Bank account in HCCS' name or a third-party bank, at HCCS' discretion. Original safekeeping receipts shall be obtained and held by HCCS. HCCS shall contract with a bank or banks for the safekeeping of securities either owned by HCCS as part of its investment portfolio or held as collateral to secure time deposits.

12.2 **Collateralization.** Consistent with the requirements of the Public Funds Collateral Act, it is the policy of HCCS to require full collateralization of all HCCS funds on deposit with a depository bank. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 110% of market value of principal and accrued interest on the deposits or investments reduced to the extent that the deposits are insured by the Federal Deposit Insurance Corporation (FDIC) unless otherwise noted in this section. Securities pledged as collateral shall be held in HCCS' name in a segregated account at the Federal Reserve Bank or by an independent third party with whom HCCS has a current custodial agreement. The agreement is to specify the acceptable investment securities as collateral, including provisions relating to possession of the collateral, the substitution or release of investment securities, ownership of securities, and the method of valuation of securities. The safekeeping agreement must clearly state that the safekeeping bank is instructed to release purchased and collateral securities to HCCS in the event HCCS has determined that the depository bank has failed to pay on any matured investments in certificates of deposit, or has determined that the funds of HCCS are in jeopardy for whatever reason, including involuntary closure or change of ownership. A clearly marked evidence of ownership, e.g., safekeeping receipt, must be supplied to HCCS and retained by HCCS. Any collateral with maturity over five (5) years must be approved by the Investment Officer before the transaction is initiated. Release of collateral or substitution of securities must be approved in writing by the Investment Officer. The total market value of the eligible security must be reported at least once each month to the Board.

12.2.1 HCCS may accept the following securities as collateral for bank deposits (V.T.C.A., Government Code, Section 2256.001, et. seq., formerly Article 842a-2, Section 2, V.T.C.S., as amended);

- FDIC coverage;
- U.S. Government securities; including bonds, certificates of indebtedness, or Treasury Notes of the United States, or other evidence of indebtedness of the United States that is guaranteed as to principal and interest by the United States,
- State of Texas bonds; including obligations, the principal and interest on which, are unconditionally guaranteed or insured by the State of Texas,
- Bonds issued by other Texas governmental entities (City, County, school district, or special districts) with a remaining maturity of twenty (20) years or less. Bonds must be (and must remain) investment quality: that is, with a rating of at least "A" or its equivalent; or
- A surety bond that meets the requirements of the Public Funds Investment Act.
- Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities.

12.2.2 For certificates of deposit and other evidences of deposit, collateral shall be at 102% of market or par, whichever is lower. The market value of collateral will always equal or exceed the principal plus accrued interest of deposits at financial institutions.

12.2.3 Financial institutions with whom HCCS invests or maintains other deposits, shall provide monthly, and as requested by the Investment Officer, a listing of the collateral pledged to HCCS, marked to current market prices. The listing shall include total pledged securities itemized by name, type, description, par value, current market value, maturity date, and Moody's or Standard & Poor's rating, if applicable. HCCS and the financial institution shall jointly assume the responsibility for ensuring that the collateral is sufficient.

12.2.4 **Collateralized Deposits.** Consistent with the requirements of State law, HCCS requires all bank deposits to be federally insured or collateralized with eligible securities. Financial institutions serving as HCCS depositories will be required to sign a "Depository Agreement" with HCCS and HCCS' safekeeping agent. The collateralized deposit portion of the Agreement shall define HCCS' rights to the collateral in the event of default, bankruptcy, or closing and shall establish a perfected security interest in compliance with Federal and State regulations, including:

- the Agreement must be in writing;
- the Agreement has to be executed by the Depository and HCCS contemporaneously with the acquisition of the asset;
- the Agreement must be approved by the Board of Directors of the Loan Committee of the Depository and a copy of the meeting minutes must be delivered to HCCS; and,
- the Agreement must be part of the Depository's "official record" continuously since its execution.

12.2.5 **Competitive Pricing.** In making investment purchases, the Investment Officer shall compare yields on potential investments to yields on US Treasury Bills and Notes, money market accounts at HCCS' depository bank, and local government pools.

13. **PERFORMANCE.** HCCS' investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio shall be designed with the objective to obtain a market rate of return on investments commensurate with investment risk constraints and cash flow requirements of HCCS.

14. **REPORTING.** The Vice Chancellor, Finance and Administration shall submit a signed quarterly investment report that summarizes the investment strategies employed in the most recent quarter, and describe the portfolio in terms of investment securities, maturities, risk characteristics, and shall explain the total investment return for the quarter.

14.1 **Annual Report.** The reports prepared by the Vice Chancellor, Finance and Administration shall be formally reviewed at least annually by an independent auditor and the result of the review shall be reported to the Board of Trustees by that auditor.

14.2 **Methods.** The quarterly investment report shall include a succinct management summary that provides a clear picture of the status of the current investment portfolio and transactions made over the past quarter. This management summary will be prepared in a manner, which will allow HCCS to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report will be prepared in compliance with generally accepted accounting principles. The report will be provided to the Board of Trustees. The report will include the following:

- 14.2.1 A listing of individual securities held at the end of the reporting period. This list will include the name of the fund or pooled group fund for which each individual investment was acquired;
- 14.2.2 Unrealized gains or losses resulting from appreciation or depreciation by listing the beginning and ending book and market value of securities for the period. Market values shall be obtained from financial institutions or portfolio reporting services independent from the broker/dealer from which the security was purchased;
- 14.3.3 Additions and changes to the market value during the period;
- 14.3.4 Fully accrued interest for the reporting period;
- 14.3.5 Average weighted yield to maturity of portfolio on entity investments as compared to applicable benchmarks;
- 14.3.6 Listing of investments by maturity date;
- 14.3.7 The percentage of the total portfolio which each type of investment represents; and
- 14.3.8 Statement of compliance of HCCS' investment portfolio with State Law and the investment strategy and policy approved by the Board of Trustees.

15. **INVESTMENT POLICY ADOPTION AND AMENDMENT.** HCCS' Investment Policy shall be adopted by resolution of the Board of Trustees only. It is HCCS' intent to comply with state laws and regulations. HCCS' written policies and procedures for investments are subject to review not less than annually to stay current with changing laws, regulations and needs of HCCS. The Board of Trustees must adopt a written instrument that it has reviewed the Investment Policy and investment strategies and the written resolution so adopted shall record any changes made to the Investment Policy or strategies.

Exhibit J
Investments – Inventory Holdings Report dated May 31, 2006 (Limited Tax Bonds Series 2003)

INVESTMENTS
INVENTORY HOLDINGS REPORT
May 31, 2006

LIMITED TAX BONDS, SERIES 2003

Description (Held at Bank of America) (Note: Fund 7300)	Percent	Coupon Rate	Yield Rate	Purchase Date	Maturity Date	Par	Beginning Book Value	Purchased (Redeemed)	Ending Book Value
	of Total Assets								
Freddie Mac Discount Note	1.42%	5.0100%	5.2124%	5/22/06	12/1/06	2,000,000	-	1,946,282	1,946,282
Federal Home Loan Bank Floating Rate Bond	0.73%	5.0000%	5.0000%	9/15/05	2/28/07	1,000,000	1,000,000		1,000,000
Freddie Mac Discount Note	2.92%	4.9500%	5.0980%	5/15/06	9/5/06	4,060,000	-	3,996,918	3,996,918
U.S. Treasury Bill	1.31%	4.6900%	4.8674%	4/18/06	10/12/06	1,842,000	1,799,525		1,799,525
U.S. Treasury Bill	1.46%	4.6900%	4.8493%	4/18/06	9/14/06	2,039,000	1,999,420		1,999,420
U.S. Treasury Bill	1.46%	4.6400%	4.7790%	4/18/06	8/17/06	2,031,000	1,999,325		1,999,325
U.S. Treasury Bill	2.14%	4.6000%	4.7749%	3/9/06	9/7/06	3,000,000	2,930,233		2,930,233
U.S. Treasury Bill	2.16%	4.5500%	4.6669%	4/13/06	7/13/06	3,000,000	2,965,496		2,965,496
U.S. Treasury Bill	1.46%	4.5400%	4.6535%	4/18/06	7/13/06	2,021,000	1,999,081		1,999,081
U.S. Treasury Bill	7.13%	4.5200%	4.6926%	2/16/06	8/17/06	10,000,000	9,771,363		9,771,363
Federal Home Loan Bank Fixed Rate Bond	0.73%	4.2000%	4.1500%	10/6/05	10/6/06	1,000,000	1,000,484		1,000,484
Federal Home Loan Bank Structured Note	0.73%	4.1300%	3.8800%	5/23/05	6/23/06	1,000,000	1,000,000		1,000,000
U.S. Treasury Bill	2.14%	4.1100%	4.2530%	1/3/06	6/29/06	3,000,000	2,939,378		2,939,378
Fannie Mae Unsecured Note	0.73%	4.0000%	4.0900%	9/16/05	8/18/06	1,000,000	999,980		999,980
Federal Home Loan Bank Structured Note	1.46%	4.0000%	4.3600%	5/17/05	5/17/07	2,000,000	2,000,000		2,000,000
Freddie Mac Unsecured Medium Term Note	1.46%	3.8000%	3.8000%	6/16/05	7/12/06	2,000,000	2,000,000		2,000,000
Freddie Mac Unsecured Medium Term Note	1.46%	3.8000%	3.8000%	6/16/05	7/12/06	2,000,000	2,000,000		2,000,000
Federal Home Loan Bank Unsecured Bond	0.00%	3.6000%	3.6000%	5/26/05	5/26/06	2,000,000	2,000,000	(2,000,000)	-
Federal Home Loan Bank Unsecured Bond	2.90%	3.2500%	3.6999%	5/12/05	7/21/06	4,000,000	3,979,040		3,979,040
Freddie Mac Unsecured Medium Term Note	1.46%	3.2500%	3.2500%	1/13/04	7/13/07	2,000,000	2,000,000		2,000,000
Federal Farm Credit Bank Bond	3.65%	3.1500%	3.1500%	1/12/04	7/12/07	5,000,000	5,000,000		5,000,000
Fannie Mae Unsecured Note	1.45%	3.1250%	4.3894%	10/21/05	7/15/06	2,000,000	1,981,860		1,981,860
Federal Home Loan Bank Step Rate Bond	1.46%	3.1250%	4.5110%	4/30/04	4/30/09	2,000,000	1,997,500		1,997,500
Fannie Mae Unsecured Structured Note	3.65%	3.0500%	2.6200%	12/29/03	6/29/06	5,000,000	5,000,000		5,000,000
Fannie Mae Unsecured Note	1.46%	3.0300%	3.0898%	12/29/03	12/29/06	2,000,000	1,996,600		1,996,600
FHLB Global Bond	0.00%	2.8750%	4.3100%	11/2/05	5/22/06	3,000,000	2,976,570	(2,976,570)	-
Freddie Mac Unsecured Medium Term Note	2.18%	2.8000%	2.8544%	4/5/04	10/5/07	3,000,000	2,994,600		2,994,600
Fannie Mae Unsecured Note	3.65%	2.7000%	2.7000%	12/29/03	6/29/06	5,000,000	5,000,000		5,000,000
Federal Home Loan Bank Unsecured Bond	0.73%	2.6650%	2.6650%	12/23/03	6/23/06	1,000,000	1,000,000		1,000,000

Freddie Mac Unsecured Medium Term Note	0.00%	2.3750%	2.4680%	2/17/04	5/17/06	2,000,000	1,996,000	(1,996,000)	-	
Freddie Mac Unsecured Medium Term Note	1.45%	2.3000%	2.5701%	4/19/04	10/19/06	2,000,000	1,987,000		1,987,000	
Federal Home Loan Bank Unsecured Bond	0.73%	2.2200%	2.4275%	12/24/03	6/23/06	1,000,000	995,062		995,062	
Freddie Mac Fixed-Rate Medium Term Note	3.60%	2.0900%	2.6089%	12/23/03	7/6/06	5,000,000	4,936,700		4,936,700	
U.S. Treasury Note	0.00%	2.0000%	3.3986%	5/12/05	5/15/06	4,000,000	3,945,000	(3,945,000)	-	
TexPool	14.80%	5.0215%	5.0215%	12/22/03			20,206,059	84,131	20,290,191	
Nations Money Market Fund (244255)	0.01%	4.8200%	4.8200%	12/23/03			12,279	50	12,329	
Nations Money Market Fund	<u>6.68%</u>	4.8200%	4.8200%	12/23/03			4,771,870	4,391,342	9,163,212	
Subtotal	80.72%						111,180,425	(498,847)	110,681,578	
Investments Managed by Smith Graham & Co.	<u>19.28%</u>	Various	Various	6/30/04	Various		26,205,825	227,946	26,433,771	
Total Limited Tax Bonds, Series 2003	<u>100.00%</u>						137,386,249	(270,901)	137,115,348	
Operating and Other Investment Portfolio - attached								119,675,198	(4,460,567)	115,214,632
								257,061,448	(4,731,468)	252,329,980