

THE STATE OF TEXAS §
 §
COUNTY OF HIDALGO §

DEPOSITORY AGREEMENT

THIS AGREEMENT is made and entered into as of the _____ day of May, 2019, by and between the COUNTY OF HIDALGO, TEXAS, one of the duly organized counties and political subdivisions of the State of Texas, hereinafter called "County", and _____, a Texas banking association with offices in _____, Texas, hereinafter called "Bank".

WHEREAS, in response to notices placed by the County soliciting bids for the appointment of the County Depository, Bank submitted its bid for same; and

WHEREAS, as the culmination of competitive bidding, on the ____ day of May, 2019, the Commissioner's Court of County appointed Bank its County Depository; and

WHEREAS, County and Bank now desire to enter into a formal agreement to govern the financial relationship between them.

NOW, THEREFORE, in consideration of the mutual covenants, agreements and undertakings herein contained, County and Bank agree as follows:

I. COUNTY DEPOSITORY

1.1 Appointment of Depository. County hereby designates, selects and appoints Bank its' County Depository for County funds, County and District Clerk funds and Drainage District No. 1 funds. Bank agrees to act as County Depository, pursuant to V.T.C.A., Local Government Code, Chapters 116 and 117, to keep and disburse all funds deposited by County with Bank and faithfully perform its duties under the terms of

this Agreement. Bank shall provide County with banking services that include demand deposit accounts, investment assistance with time accounts and government securities, loan services and other banking services that are enumerated herein.

1.2. Term. Bank shall act as Depository until the County's Commissioners Court regular May term in the year 2023 unless terminated earlier as provided herein, and for so long thereafter as necessary in order for County to change over to any successor Depository. At least sixty (60) days prior to the second anniversary date of this Agreement, Bank, by written notice to County, may, in accordance with Local Government Code Section 116.021(b), establish, on the basis of negotiations with County, new interest rates and financial terms of this Contract that will take effect during the final two years of this Contract if: (i) the new financial terms do not increase the prices to the County by more than ten percent (10%); and (ii) the County has the option to choose to use the initial variable interest rate option or to change the new fixed or variable interest rate options proposed by the Bank.

1.3. Applicable Law. County and Bank agree that they will, at all times, comply with the provisions of V.T.C.A., Local Government Code, Chapters 116 and 117, and County's Investment Policy as both may from time to time be amended. Further, the terms of this Agreement shall, at all times, be subject to the Constitution of the State of Texas, and the rules and regulations promulgated by the Office of the Comptroller of the Currency, the Federal Reserve System and the Federal Deposit Insurance Corporation.

II. DEMAND DEPOSITS AND RELATED SERVICES

2.1 Demand Deposit Accounts. Bank shall provide, free of charge, any and all checking accounts, including Public Fund N.O.W. checking accounts as indicated in

Bank's depository bid, requested by County for County funds, County Clerk funds, District Clerk funds and Drainage District funds. Aggregate balances greater than those required by County to meet its current obligations will be invested in either interest bearing transaction accounts or time deposits by Bank, pursuant to the instructions received from County in accordance with the procedures and provisions set forth in Section III of this Agreement. All checks and deposit slips will be provided by Bank free of charge.

2.2 Pledge of Securities. Except to the extent payment of demand deposit balances are guaranteed by the Federal Deposit Insurance Corporation, all County demand deposits will be secured and guaranteed by a pledge to County of marketable securities of the type, nature and quality (i) authorized and allowed by, and within the time period required by, V.T.C.A., Local Government Code, Chapters 116 and 117, as may be amended from time to time, (ii) approved in advance by the County Judge (hereinafter referred to as "Securities"), and (iii) allowed by County's Investment Policy. The Securities shall be deposited with the correspondent bank of Bank which is presently The Federal Reserve Bank—_____Branch. The correspondent bank shall be authorized to surrender to Bank from time to time all interest coupons becoming due on said Securities so deposited or interest earned and collected on any Securities deposited, or the correspondent bank may collect said coupons or interest and deliver the proceeds thereof to Bank, so long as Bank is not in default to County under the terms of this Agreement. At any given time, all Securities pledged shall have a total market value determined by the County to be at least equal to **110%** of the uninsured aggregate demand deposit balance. When the County

determines that the total market value of Securities pledged by Bank is in excess of 120% of the amount required to fully insure County, the County shall authorize the correspondent bank to release Securities to Bank in an amount equal to the excess that the County determines to exist. In the event the County determines that the market value of the Securities pledged is less than 120% of the uninsured aggregate demand deposit balance, it shall notify Bank in writing and Bank shall, within one banking day, pledge Securities determined to be sufficient by the County to cover any such deficit and immediately deposit same with its correspondent bank.

Bank shall provide County daily, at or before 11:00 a.m. on each banking day, a list of the Securities pledged against the demand deposit accounts and the market value of the Securities based on the relevant market.

If Bank shall desire to sell or otherwise dispose of any one or more of said securities so kept in safe keeping, it may substitute for any one or more of such securities other securities of the same market value and of the character authorized herein.

2.3 Overdrafts. Bank agrees to provide overdraft coverage at no expense to the County for each account. Overdraft checks will be paid as long as the aggregate funds on deposit in all demand deposit accounts are sufficient to meet the amount of total overdrafts and, if the aggregate funds are insufficient, Bank will loan the monies necessary to cover the overdrafts as per the provisions listed in Section IV of this Agreement.

2.4 Other Related Services. Bank will provide the following additional services to County free of charge:

- (a) Make no service charges on any County account or on any account of any organization connected with the County, included but not limited to County account, County Clerk accounts, District Clerk accounts, and Drainage District accounts.
- (b) Preparation of monthly statement beginning with the first day of month and ending with the last date of the month, showing debits, credits, and balances of each separate account and sequential listing of cashed checks within seven (7) working days-after calendar month-end. Provide insufficient fund items, deposit slips, charge backs, return items, checks paid and items deposited-unencoded.
- (c) Keep a full and separate itemized account of each different class of County funds coming into its hands and; making its records available for audit by the County and its' independent auditors.
- (d) Preparation of such other reports, accounts, and records which may, from time to time, be required by County in order to properly discharge the duties as provided by the law of the Depository.
- (e) Arrange canceled checks in numerical sequence.
- (f) All checks deposited shall be honored in the demand checking account based upon Bank's funds availability schedule.
- (g) Provide a daily summary of the demand accounts, time deposits, and securities pledged.
- (h) Furnish a suitable safety deposit box or boxes if needed.
- (i) To provide suitable vault space for the County Clerk's office and other County offices and departments.
- (j) Furnish cashier's checks and/or bank drafts at no cost to the County.
- (k) Furnish night depository services, including locking bags and keys. Such bags will be available to the County on bank holidays on which County offices are open.
- (l) To furnish at no cost to County checks and deposit slips of the quantity, quality and type necessary for County's use.
- (m) To provide Federal Obligations investment service when needed.
- (n) Furnish wire transfers for deposits and disbursements at no cost to the County.

- (o) Stop payment on checks at no cost to the County.
- (p) Coin counting and wrapping service, as well as money straps and coin envelopes.
- (q) Endorsement stamps.
- (r) Diskette for bank reconciliation purposes of paid items for accounts designated by County.
- (s) Direct Deposit service for payroll checks.
- (t) Research statement reproduction.
- (u) Monthly report of the market value of securities pledged.
- (v) Provide ledger credit on the same banking day as deposits occur (holidays and weekends excepted). This includes same credit on wire transfers of funds from the Federal and State government, and same banking day credit on warrants issued by the State Comptroller received prior to 2:00 p.m.
- (w) Lockbox Services as described in the Lockbox Processing Agreement attached hereto as Exhibit "A".
- (x) Daily ledger and average balance reporting delivered daily to the departments of the County designated to receive same by County Judge.
- (y) Bank personnel and bookkeeping time dedicated solely to County, as needed.
- (z) Bond and coupon service.
- (aa) Work up of night deposit bags.
- (bb) Cashing of nonbank customer's checks drawn on County accounts.
- (cc) Daily hand delivery of all charge back items to departments of County.
- (dd) Cut-off statements provided weekly and monthly.
- (ee) Automated Clearing House services.
- (ff) Safekeeping services for all trust accounts of County.

- (gg) Checks and statement physically delivered to County offices at statement cycle time.
- (hh) Provide any other services normally rendered banking customers that are exempt from service charges by any banking regulation.

III. TIME DEPOSITS

3.1 Investments in Government Securities. County and Bank agree that all County funds not placed in demand deposit accounts in accordance with Section II of this Agreement, will be invested by County in accordance with V.T.C.A., Local Government Code, Chapters 116 and 117, in direct debt securities of the United States or in other authorized investments as set out in said statute and in conformity with County's Investment Policies, as may from time to time be amended. County shall only invest funds that are not, in County's sole discretion, required to pay County's immediate obligations. County may also direct Bank to invest any of these funds in federally insured time deposits at other financial institutions. All such investments shall be in County's name. The County shall receive 100% of the yield on all investments.

3.2 Purpose of Investments. County will conduct a thorough analysis of its finances and will make projections and estimate funding needs over the term of this Agreement. Based on this analysis, and in accordance with County's Investment Policies, County will purchase through Bank, debt securities of the United States of America and its agencies or other investments permitted by the applicable statute or will deposit funds in a federally insured time deposit at other financial institutions and will match the maturities of all of these investments with County's anticipated funding needs. Bank will provide assistance to County in developing its projections; however, it shall be

County's duty, not Bank's, to make accurate projections of its cash flows and funding needs and to match its investment decisions to these estimates.

3.3 Procedures for Security Purchases. County will deposit the funds it desires to be invested with Bank and designate in accordance with County's Investment Policies the desired investments and their maturity dates for Bank to purchase. Bank shall utilize licensed brokers to invest the funds in County's name without charge from the Bank. County shall deposit the funds for the purchase of the investment, together with its instructions for the investment as soon as practical, but in no event later than 10:00 a.m., on each day that it desires Bank to invest funds for it. Bank shall make every effort to make the investments on behalf of County on the same banking day. In the event funds are deposited with Bank with instructions after 10:00 a.m. on any particular day, Bank will use its best efforts to invest the funds on the same banking day; however, if unable to do so, it shall invest the funds the following business day. Securities and investments will be purchased at the prevailing market yields and will be owned directly by and held in the name of County. Securities and investments made pursuant to this Agreement shall be held in safekeeping in the County's name at the correspondent bank of Bank, which currently is The Federal Reserve Bank—Branch. Bank shall notify County in writing of any change in its correspondent Bank on or before the date of any such change. Copies of each sale or purchase confirmation and safekeeping receipts shall be provided directly to the County Treasurer's Office within five (5) days following the purchase. Bank agrees to provide County all funds from each Security or investment on its maturity date. Bank shall manage, at Bank's expense, all principal and interest redemptions with respect to the Securities and

investments made pursuant to this Agreement. Bank agrees to provide assistance and counseling to County regarding investment portfolio management and analysis without charge. Bank agrees to provide daily to the County Treasurer's Office, at Bank's expense, market value valuation and collateralization reports of Securities and investments made pursuant to this Agreement. Bank shall remit all audit reports required by County within a reasonable length of time.

3.4 Underestimates of Funding Requirements. If at any time County finds that its funding needs are greater than those projected at the time the Securities were purchased, Bank will loan necessary funds to County in accordance with the provisions of Section IV, below.

IV. LOAN SERVICES

4.1 Loan Terms. Bank agrees to make loans to County throughout the term of this Agreement, and the interest rate charged on all loans will be at a rate equal to the prime rate set by the Wall Street Journal, which, for the purposes hereof, is defined as the base rate on corporate loans at large United States money center commercial banks, as published daily in the Money Rates section of the Wall Street Journal, (the "Prime Rate"). The interest rate shall be adjusted daily to the Prime Rate in effect.

4.2 Unsecured Credit. Bank grants to County an unsecured revolving line of credit up to Bank's legal lending limit, said line of credit to be reduced by any outstanding overdrafts.

4.3 Secured Credit. Bank agrees to make loans to County which are 100% secured by a pledge of Securities owned by County. Total amount of secured loans are

left to the discretion of County, with the upper limit being the total market value of County's Securities portfolio.

V. GENERAL PROVISIONS

5.1 All obligations of the parties created hereunder are to be performed in Hidalgo County, Texas.

5.2 Should any provision of this Agreement be declared invalid, illegal or void it is the intent of the parties that all other provisions remain fully enforceable.

5.3 All section and paragraph headings contained herein are for informational purposes only and are not intended to be binding upon the actual contents of the sections and paragraphs and, in the event of a conflict between headings and contents, the contents of each section and paragraph shall rule.

5.4 All notices or demands of any kind, which the parties may be required or may desire to serve upon each other under the terms of this Depository Agreement may be served upon the parties by leaving a copy of such demand or notice with the party or by mailing a copy thereof by registered or certified mail, postage prepaid, addressed to:

If to County:

County of Hidalgo, Texas
Attn: County Judge
302 West University Drive
Edinburg, Texas 78539

If to Bank:

If to correspondent
bank:

or at such other address or addresses at which may be designated by the parties in writing to each other.

5.5 **Nondiscrimination:** the Agreement and all related activities shall be conducted in a manner that does not discriminate against any person on a basis prohibited by applicable law or policy, including without limitation to race, color, national origin, religion, sex, age, veteran status, or disability.

5.6 **Additional Documents:** The parties hereto covenant and agree that they will execute each such other and further instruments and documents as are or may become necessary or convenient to effectuate and carry out the terms of this contract/agreement.

5.7 For purposes of illustration of Bank provided services hereunder, and not for purposes of limitation of any services provided by Bank hereunder, Bank agrees to perform the services described Bank's County Depository Bid Form attached hereto as Exhibit "B", and incorporated herein by reference. In the event of a conflict between the provisions of this agreement those contained in Bank's County Depository Bid Form, the provisions of the Bid shall control, except as expressly provided to the contrary herein.

EXECUTED in multiple originals as of the date first above written.

HIDALGO COUNTY, TEXAS

By: _____
Richard F. Cortez, County Judge

ATTEST:

Arturo Guajardo, Jr. County Clerk

By: _____

ATTEST:

Cashier

CORRESPONDENT BANK:
FEDERAL RESERVE BANK--* BRANCH

By: _____

Printed Name: _____

Title: _____

ATTEST:

Cashier

Approved by Board of Director's On: _____

Approved As To Form:
Office of District Attorney

By: _____
Josephine Ramirez
Assistant District Attorney

Date: _____

THE STATE OF TEXAS §
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This instrument was acknowledged before me this ____ day of _____, 2019, by Richard F. Cortez, County Judge of Hidalgo County, Texas, on behalf of said County.

Notary Public, State of Texas

THE STATE OF TEXAS §
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This instrument was acknowledged before me on this ____ day of _____, 2019, by _____, _____ of _____, a Texas banking association, on behalf of said association.

Notary Public, State of Texas

THE STATE OF TEXAS §
 §
COUNTY OF _____ §

This instrument was acknowledged before me on this ____ day of _____, 2019, by _____, _____ of the Federal Reserve Bank--Branch, on behalf of said association.

Notary Public, State of Texas