REQUEST
Stay with existing arrangement with Anoka County and US Bank

BACKGROUND
State law limits where and how public funds may be deposited. Compliance with state and federal laws is a basic component of protecting the public funds that have been entrusted to the District.

Minnesota Law (118A.02, subd 1) requires the District to annually or biannually designate one or more financial institutions as a depository for its public funds at a public meeting.

In 1999 the District transferred its remaining funds to the US Bank for investment into the Minnesota Association of Governments Investing for Counties (MAGIC) fund.

On January 9, 2017 the Board of Managers was scheduled to designate its official depository as required by law, was made aware of a proposal from Village Bank to provide services and tabled action on designating the District’s official depository pending an evaluation of Village Bank’s proposal and coordination with Anoka County.

At the January 23 meeting the Board opted to:
1. Prepare an RFP for the banking services currently being provided by U.S. Bank and Anoka County
2. Further explore with Anoka County the capability and interest in adding depositors

The components and potential evaluation criteria of an RFP for banking services are discussed below.

ISSUES/CONCERNS
1. Local Banks:
   - An RFP would include giving opportunity to many local banks, such as those listed below:
     a) Village Bank
     b) Flagship
     c) First Minnesota,
     d) Bank of Elk River,
     e) Bank of the West
     f) BMO
2. **Collateral Requirements:** For public funds, Banks are required to provide collateral of 110% of all public deposits. In addition to the collateral requirement, an understanding of the credit quality of the investments being held as collateral would need to be assessed.

   **NOTE:** Discussions with two local finance directors and two banks, smaller/local banks are typically not willing or interested in setting aside that amount of capital as collateral.

3. **Fees:** Fees will be required. The RFP and Survey will need to tally and estimate fees. These fees relate to the services that will be required to be purchased, such as Positive Pay (fraud protection for all checks issued), ACH and wire transfer services, check clearing services, and deposit services.

   **NOTE:** At present any fees are absorbed by the County and not passed onto the District.

4. **Interest Rates:** Interest earned on savings or investments or checking will be compared and must comply with the requirements and restrictions discussed at the January 23 meeting. Any investment would need to provide documentation that the District’s assets were appropriately managed.

   **NOTE:** At present we are earning 0.83%. A preliminary review of the potential banks cannot find a higher yield. Also, the MAGIC Fund offers multiple ways to increase investment income through the purchase of CD’s or Term Notes (short-term investments that invest in a pool of qualified securities that offer additional yield). A bank can only provide CD’s up to $250,000 due to FDIC coverage rules. Any CD amounts above $250,000 in a single bank must be collateralized.

5. **Ease of depositing and transferring funds:** Location, office hours, on-line banking are all considerations.

6. **Can they do the Job:** It has been recommended to ensure that respondents to an RFP be checked as to whether or not they can in fact do the job. This includes evaluating each bank’s financial health and condition by looking at their rations of liquidity, asset quality (loan quality evaluation), profitability, strength, and management.

**OPTIONS**
1. Stay with existing arrangement with Anoka County and US Bank
2. Prepare an RFP based on the above criteria
3. Instead of an RFP simply ask for proposals from the identified Banks

**RECOMMENDATION**
Adopt resolution
RESOLUTION
DESIGNATING THE US BANK AS
THE OFFICIAL DEPOSITORY

WHEREAS, The Coon Creek Watershed District is authorized and formed under Minnesota Statutes 103D, and

WHEREAS, Minnesota Statutes 103D.351 requires the District to report its financial transactions, and Minnesota Statutes 103D.925 authorizes the District to issue warrants for payment of contracts and general expenses, and

WHEREAS, To accomplish both payment, and reporting the District must have a depository for its funds.

THEREFORE, BE IT RESOLVED THAT, The US Bank is the Official depository of the Coon Creek Watershed District.