COON CREEK WATERSHED DISTRICT
Request for Board Action

MEETING DATE: January 23, 2017
AGENDA NUMBER: 6
ITEM: Designation of Depository

FISCAL IMPACT: N/A
POLICY IMPACT: Policy

REQUEST
Adopt resolution designating the US Bank as the official depository.

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 5, 2017 the District received a letter from Village Bank, Blaine with two opportunities:
1. A potential liquid money market fund earning 0.75% interest
2. A willingness to be official depository for the District and a promise to re-engage Anoka County and provide the level of collateral required by law

On January 9, 2017 the Board was made aware of Village Bank’s proposal and tabled action on designating the District’s official depository.

ISSUES/CONCERNS
Unsolicited Proposal: Village Banks proposal (If you want to call it that) is not part of any general request for proposals or planned systematic review and evaluation of our banking needs. While the Board may want to do that as part of a regular (biannual) request for interest proposals as it does for “Professional Services”, there has been no request or established procedure or criteria to ensure a fair and thorough review of proposals.

Change/Loss of in County Services/Professional Accounting & Payroll: At present, Anoka County provides the following services to the District, which are significantly integrated with the depository and banking:
1. Banking
2. Treasury
3. Investments
4. Payroll
5. Annual Financial Reporting and Audit

A discussion with Cory Kampf, Anoka County F&CS Division Director indicated that should the District change depository, these services would need to be provided directly by either staff &/or a consultant.

At present, the County provides all of these services for $5,000 per year.

The Cost, should the Board decide to change could be significantly more than you pay today.
   a. Payroll – will likely run close to $5,000 annually
   b. Unforeseen bank charges within the Village Bank proposal - they say a limited number of checks (what does that mean)
   c. Accounting services – either additional staff or service would need to be hired to handle:
      a. receipting
      b. reconciling
      c. day to day accounting and management of the General Ledger System
      d. help coordinate and prepare for the audit and financial reporting.
   d. In addition, the District currently has a number of CD Investments that need to stay within the MAGIC Fund until they mature.

**Investment of Excess Funds:** Any depository would be expected to invest the cash deposited and not needed for immediate use. Those investments, as reviewed this past spring, are highly regulated and the depository would need to provide documentation that the District’s assets were appropriately managed.

At present we are earning 0.83%. The proposed 0.75% MMF would be a decrease

**Best Management Practices:** As part of the District’s stewardship of public funds, the Board may want to consider the following actions on an annual or biannual basis re-examine and re-evaluate the District’s/County depository.

**OPTIONS**
1. Remain with US Bank as official depository
2. Change to Village Bank as official depository
3. Prepare RFP and evaluation criteria for Depositories
4. Further explore with Anoka County the capability and interest in adding depositors
5. Prepare RFPs for the service functions currently being provided by Anoka County. Other small community banks, in addition to Village Bank would be Flagship, First Minnesota, Bank of Elk River, as well as some larger regional such as Bank of the West and BMO.
RECOMMENDATION

1. Remain with US Bank as official depository by adopting the attached 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.
RE: Financial Institution Depositor Designation

Dear Mr. Kelly:
As you know, I have been visiting with Mr. Byron Westlund, regarding a number of initiatives the District may consider in the future. During these informational meetings, I mentioned Village Bank has a liquid Money Market Account paying today .75% interest rate, which may be of interest to the District for investment revenue. This account has access by a limited number of checks monthly and provides liquidity in an investment tool earning a fair market return.

Village Bank staff understands that should the District decide to open a depository account, pledging of collateral (securities) over the FDIC insurance is required by law and the Bank is prepared to provide this coverage if needed.

I understood, the District normally follows Anoka County Treasury depository institution designations. In the past, Village Bank was an active depository institution with the County Treasury Department, however for the last few years the Bank has not requested to be a Depository Designee for the County, but would ask to be considered again, if the District had some interest in a financial relationship with Village Bank.

I believe you know, we are a Locally Owned, Community Bank with assets approximately $240,000,000. Our financial records are available on the FDIC.Gov website, which will show our financial stability is considered to be well capitalized and a profitable institution. Plus, our ownership philosophy in helping build, promote and support our local community is very strong.

If there is a process or you would like me to attend any Staff/Board meeting to explain more about the Bank and/or products and services we could offer the District, I would welcome this opportunity anytime. I hope Village Bank could be considered for a number of financial needs the District may have today and in the future.

I look forward to hearing from you, if Village Bank could be considered a financial institution the District could work with in the future.

Best regards,

[Signature]

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