

MEMORANDUM

DATE: October 9, 2001

TO: The Board of Supervisors

FROM: M. Ann Davis, Treasurer
John E. McDonald, Manager of Financial and Management Services

SUBJECT: Bank Services Contract Changes

The attached resolution authorizes the Treasurer to pay for banking services instead of using a compensatory balance. Under a compensatory balance arrangement, the County is required to maintain a minimum amount of cash with the bank and does not earn interest on that amount. For the County, that minimum is now \$1 million. A more detailed description of compensatory balances has been provided in the Board's reading file.

The change is recommended because staff believes that improvements in investment procedures would allow staff to invest the entire cash balance and generate greater additional investment income, exceeding the additional spending. It would also allow the Treasurer greater flexibility when seeking proposals from other banks for banking services. SunTrust, the County's current bank, is willing to work with us under either compensation agreement.

The attached resolution authorizes the Treasurer to consider direct payment for banking services, in addition to payment through compensating balances. It also authorized \$35,000 in additional spending in the Treasurer's budget for banking services with the expectation that it would be funded by \$35,000 in additional investment income.

Staff recommends approval of the attached resolution.

M. Ann Davis

John E. McDonald

JEM/adw
bank.mem

Attachment