

Depository Contract for Funds Amendment Agreement

January 19, 2010

SUMMARY:

This item requests approval of the Depository Contract for Funds – Amendment Agreement with Compass Bank.

BOARD GOAL:

VI. Growth & Change...In pursuit of excellence, the district will:

- a. review and adjust policies and procedures effectively to address the challenges of rapid growth and changing demographic characteristics while maintaining and enhancing our strong sense of community

PREVIOUS BOARD ACTION:

The Board approved the extension of the depository contract with Compass Bank on April 28, 2009 for an additional two year term from 7/1/2009 through 6/30/2011.

BACKGROUND INFORMATION:

Interest earnings were calculated based on Federal Funds minus .35%. In 2008 the Federal Funds index began to decline below the .35% rate resulting in little or no interest earnings. We asked the bank to suggest options for increasing our earning potential for our cash balances. They offered two options.

SIGNIFICANT ISSUES:

Option 1:

1. \$1,000,000 to be maintained in non-interest bearing checking accounts.
2. All other accounts will earn interest at One Month LIBOR minus .30%.
3. No charges for services currently provided.

Option 2:

1. \$2,000,000 to be maintained in non-interest bearing checking accounts.
2. All other accounts will earn interest at One Month LIBOR minus .15%.
3. No charges for services currently provided.

FISCAL IMPLICATIONS:

The interest rates for funds invested by the District have continued to decrease therefore reducing our interest earnings.

BENEFIT OF ACTION:

This amendment is requested in an effort to increase interest earnings for funds held at our depository bank.

PROCEDURAL AND REPORTING IMPLICATIONS:

We have opened an account and maintained a balance of \$1,000,000.
TEA said that they do not need notice, nor do they need to approve this kind of change.

ALTERNATIVES:

- Continue with the Fed Funds rate minus .35%
- Option 2 – see above

SUPERINTENDENT'S RECOMMENDATION:

Recommend approval of the Depository Contract for Funds Amendment Agreement with Option 1.

STAFF PERSONS RESPONSIBLE:

Debbie Monschke - Executive Director of Administrative Services

ATTACHMENT:

Depository Contract for Funds Amendment Agreement

APPROVAL:

Signature of Staff Member Proposing Recommendation: _____

Signature of Divisional Assistant Superintendent: _____

Signature of Superintendent: _____