



Travis County Commissioners Court Agenda Request

Meeting Date: December 6, 2011

Prepared By/Phone Number: Deborah Lauder milk/(512) 854-9779

Elected/Appointed Official/Dept. Head: Leroy Nellis

Commissioners Court Sponsor: Judge Samuel T. Biscoe

A handwritten signature in blue ink, appearing to read "Leroy Nellis", written over the printed name of the elected official.

AGENDA LANGUAGE:

Consider and take appropriate action on request to approve creation of a non-interest bearing account for the Travis County Treasurer's office.

BACKGROUND/SUMMARY OF REQUEST AND ATTACHMENTS:

Memorandum is attached.

STAFF RECOMMENDATIONS:

Attached

ISSUES AND OPPORTUNITIES:

Attached

FISCAL IMPACT AND SOURCE OF FUNDING:

None

REQUIRED AUTHORIZATIONS:

None

AGENDA REQUEST DEADLINE: All agenda requests and supporting materials must be submitted as a pdf to Cheryl Aker in the County Judge's office, Cheryl.Aker@co.travis.tx.us by Tuesdays at 5:00 p.m. for the next week's meeting.

CASH/INVESTMENT MANAGEMENT DEPARTMENT
TRAVIS COUNTY, TEXAS



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DATE: November 29, 2011

TO: Samuel T. Biscoe, County Judge
Ron Davis, Commissioner, Precinct 1
Sarah Eckhardt, Commissioner, Precinct 2
Karen Huber, Commissioner Precinct 3
Margaret J. Gomez, Commissioner, Precinct 4

FROM: Deborah A. Laudermilk, Investment Manager

RE: Creation of Non-interest bearing bank account

Proposed Motions:

Consider and take appropriate action on request to approve the creation of a non-interest bearing account for the Travis County Treasurer's office.

Summary:

The extremely low interest rate environment has created a situation where the County will be required to pay for their banking services according to the fees and rates that Travis County agreed to in the Depository Contract with J. P. Morgan Chase that was effective July 1, 2011. According to the contract, the County is currently only earning approximately 0.01% on its interest bearing accounts. In addition, these interest bearing accounts must be collateralized for which there is also a cost. The Bank agreed to allow Travis County to earn 0.60% in earnings credits on Travis County's non-interest bearing accounts. These earnings credits are "soft" dollars that have been used to pay for the County's banking services in the past. Taking into consideration the current financial market, the earnings credit rate that the Bank is paying the County during the term of this contract is a fair rate even though it is lower than in the contract that recently expired. Unlike in the past, this lower rate is not high enough for the Travis County accounts to earn enough in earnings credits to cover the cost of the bank services.

After discussions with the Treasurer's and the Auditor's office, it was agreed that it would be beneficial to the County to open a non-interest bearing account for funds to be transferred into this account from one of the overnight investment pools. Currently, these liquid overnight investment pools are earning in the range of 0.09% to 0.12%, so earning 0.60% in earnings credits would be worth the cost of not earning 0.12% in "hard" dollar interest. Our estimate of the funds needed to be held in the account would be approximately \$30 million. The funds that

we would transfer into this account would be funds that are not legally required to be held in interest bearing accounts. After reviewing the bank account analysis each month we would adjust the amount held in this non-interest bearing account as needed so that the total monthly earnings credit would be sufficient to prevent the County from having to write a check for banking fees. In addition, as the interest rate environment improves and/or if there is a change in the rates that we are earning, we will re-evaluate the use of these funds so as to safely earn the County the highest rate of return on their investments.

Issues: None.

Budgetary:

Current analysis provides evidence that with the creation of this non-interest bearing account, the deposits held in this account will allow Travis County to earn sufficient earnings credit so that the county will not have to pay for its banking services at J.P. Morgan Chase. If the County would decide not to create this account and hold sufficient funds, then it is likely that the County will have to pay approximately \$20,000 per month in banking fees.

Recommendation:

Approve the creation of a non-interest bearing account for the Travis County Treasurer's office.

Required Authorizations:

None

cc: Dolores Ortega-Carter, County Treasurer
Susan Spataro, County Auditor
Leroy Nellis, Acting PBO Executive Manager
Jose Palacios, Chief Asst. County Auditor – Disbursements
Nicki Riley, Chief Asst. County Auditor
Mike Wichern, Chief Asst. County Auditor
David Jungerman, Financial Audit Manager
Mike Crawford, Financial Audit Manager
Sean O'Neal, Auditor's office
Rhonda Ambrose, Treasurer's office
Sandy Hendrix, Auditor's office
Barbara Wilson, County Attorney