



City of Jonesboro

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Minutes for the Depository Board meeting held on Monday, December 31, 2007.

body

Board members Mayor Formon, City Clerk Donna Jackson and City Collector Becky Sharp were in attendance. Finance Director Don Ray, Operations Director Misty Micenhamer, Councilman Jim Hargis and Councilman Darrel Dover were also in attendance.

Mayor Formon called the meeting to order.

Mayor Formon motioned, seconded by Ms. Sharp, to elect Ms. Jackson as the chair of the Depository Board. All voted aye, with the exception of Ms. Jackson who abstained from voting.

Chairwoman Jackson explained there had been a recent miscommunication as to the status of the bank bids for the 2008 calendar year. She explained it is her understanding the bids were opened on Friday, December 28, 2007, with Mayor Formon, Ms. Micenhamer and Ms. Kortney White attending the bid opening. Ms. Sharp stated the board needs to determine who should be present when the bids are opened in the future.

Chairwoman Jackson noted on the bids it states "Accounts must be established and active by January 1, 2007." She questioned whether it should state 2008 instead of 2007. She then questioned whether the typo could cause problems after selecting a bank. Finance Director Don Ray stated he didn't think it would cause a problem. Mayor Formon explained banks could think they were not eligible to bid because they did not have an active account with the bank as of January 1, 2007. Ms. Sharp stated if the banks had questions concerning the bids they would've contacted the City before the deadline. Mayor Formon noted out of the bidders only three meet the specifications due to several offering variable rates instead of fixed rates. Ms. Micenhamer noted the bid states on the first line that it's for the 2008 calendar year.

Chairwoman Jackson questioned the Bank of America bid that reflects a 12/18/06 bid. Mr. Ray explained they probably tied it to the prime rate and 12/18/06 may be the last time they checked the rate. He noted Bank of America's bid had a variable rate.

Chairwoman Jackson then discussed whether the City should split the money into separate accounts to limit the amount that can be placed in each account. Councilman Dover explained the Finance Committee had expressed concern over the security of the money. Ms. Micenhamer explained the money is 100% collateralized. Councilman Dover questioned whether every individual has that backing by their bank. Ms. Micenhamer explained the collateralization is due to the bid specs. Mayor Formon questioned whether there is the possibility if the money is separated into different accounts that banks who did not submit a bank would have bid. Councilman Dover noted higher volume of money will give the City a higher interest rate

return, so a lower amount of money will result in a lower return on the interest rate. Mayor Formon then questioned whether the amount of money could have been the reason why some banks did not bid. Ms. Micenhamer explained other banks may not have bid because they are loaned out or because they didn't need the money. Councilman Dover questioned whether the City can purchase CDs. Mr. Ray stated yes, the City can buy CDs but should decide on the checking account first. Councilman Dover questioned whether the bid is still valid if the City decides sometime next year to write a check for a new CD. Ms. Micenhamer noted the bid specs stated the City reserves the right to change banking options if needed. Mr. Ray stated the board can decide on a checking account, then meet again to look at CDs and discuss rates. Chairwoman Jackson questioned whether a lot of money was moved around last year or in previous years. Mr. Ray stated last year the City had a high interest rate in the checking account, so the money wasn't moved. He added he's not sure about prior years since he wasn't there, but he believes the City had CDs that would mature every month. Mayor Formon also stated when Mr. Herb Davis served as interim Finance Director last year he noticed City Accountant David Eagle had the ability to move money around wherever he wanted on his own. He added that's why the City requires signatures. Mr. Ray questioned whether members of the Depository Board should sign the signature cards, which move money from bank to bank. He explained that way the money can't be moved without signatures from two members of the Depository Board. He further explained he, Mr. Eagle or Ms. White will write the check and Ms. Sharp will stamp the check. It was decided for Ms. Sharp and Mayor Formon to sign the signature cards. Mayor Formon also noted a meeting of the Depository Board needs to be held before any transfer of money from one bank to another so everyone can be informed.

Discussion was held regarding whether to set a limit on how much is placed in each bank account. Mr. Ray noted if the money is separated it will affect how much interest is earned. He explained the City would lose approximately \$315,000 in interest if the accounts are split. It was decided to put all of the money into one account. Mr. Ray noted he has a collateralization folder that is upstairs to hold collateralization letters and monthly statements. He added whatever bank is chosen he will ask the bank to provide another letter stating the City's money will be 100% collateralized and he will keep the letter in the folder upstairs in case anyone needs to see it.

Chairwoman Jackson suggested setting a regular meeting date to meet each year on the first Wednesday in October to start the bidding process. She also suggested the board open the bids together and for a list of criteria concerning the selection process be included in the policies and procedures Ms. Micenhamer has already written. Mayor Formon questioned whether there would be a need for a mid-year meeting to discuss CDs. Councilman Dover recommended meeting each quarter. Chairwoman Jackson stated the board will meet the first Wednesday of every quarter at 10 a.m. Mr. Ray questioned whether he should call around to local banks the day before a meeting to get interest rates for CDs so it can be presented to the committee at the meeting. Councilman Dover suggested getting faxes from the banks concerning CD rates before the meeting.

Councilman Hargis suggested the board should formally notify the Finance Committee of any changes in order to keep the committee up to date. Chairwoman Jackson further suggested having a report for the Finance Committee on the agenda after a board meeting. It was decided to have the chair give the report to the Finance Committee.

Councilman Dover questioned how much of a task it is to switch bank accounts. Mr. Ray stated it is a significant task. Councilman Dover questioned if it's due to payroll. Mr. Ray explained the payroll account is separate. Mayor Formon questioned where the payroll account money is held. Mr. Ray stated the payroll account is with Liberty Bank. Councilman Dover clarified the payroll and checking are two different accounts. Mr. Ray answered yes, they are in different accounts. Councilman Hargis questioned what the average balance is of the payroll account. Mr. Ray stated he wasn't sure because it depended on how fast employees cash their checks. Councilman Hargis questioned how often the payroll money is deposited into the account. Mayor Formon explained it's deposited twice a month. Mr. Ray stated he doesn't know the average balance of that account but can get that information. Ms. Sharp noted they earn a low interest return on the payroll account because the money goes in and out so often. Councilman Hargis noted the employees have direct deposit. Ms. Sharp stated there are numerous employees who do not have checking accounts and use a check card instead.

Ms. Sharp motioned, seconded by Mayor Formon, to go with Bancorp South for the 2008 calendar year. All voted aye.

Mayor Formon noted there have been questions recently as to whether the City should pay off the leases because it was originally thought the rates would be lower. Mr. Ray also noted a decision still needs to be made as to whether the City will participate in the buy back program.

With no further business, Ms. Sharp motioned, seconded by Mayor Formon, to adjourn. All voted aye.