



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Helgeson, Manning, Mital and Brown
FROM: Sue Fahey, Finance Manager; Susan Eicher, Accounting and Treasury Supervisor
DATE: July 25, 2016
SUBJECT: Increasing EWEB's Local Banking Participation
OBJECTIVE: Information only

Issue

The Board has expressed a desire to increase EWEB's participation with local financial institutions to enhance community investment and goodwill.

Background

Staff initially was going to address this issue in conjunction with an upcoming Request for Proposals (RFP) for treasury services. Given favorable financial market conditions, finance staff priorities have shifted to debt reduction strategies which has delayed the RFP issuance. Increasing local banking participation can occur outside of the RFP process, and staff is preparing guidelines to allow wider participation while continuing to meet investment policy objectives and safeguard funds.

Discussion

EWEB currently has relationships with financial institutions that provide a range of services, including:

- Treasury – processing of cash and other receipts; payments to vendors and employees
- Merchant services – processing of credit card and other electronic payments
- Purchasing card program – processing of purchasing cards issued to employees
- Custodial services – safekeeping of securities
- Trustee services – monitoring of compliance with bond documents and payment of principal and interest to bondholders
- Escrow services – investment and management of funds in escrow accounts
- Other depositories – primarily the Local Government Investment Pool

Most banking and financial services are provided under contract. The opportunity to select local financial institutions for processing services will be provided during the RFP process. The minimum qualifications and evaluation criteria for bidders are developed with a goal of attracting the widest possible pool of bidders who can provide services that are efficient and cost effective, and adequately safeguard funds. Deposit of funds and purchases of investments; however, do not require an RFP process and are an option to increase EWEB business with local financial institutions.

EWEB's investment policy seeks to preserve principal, provide liquidity, and generate a return consistent with the safety and liquidity needs of the portfolio. Local investments would most likely take the form of deposits in interest bearing accounts and Certificates of Deposit (CDs). These types of accounts typically provide a lower return on investment than other securities allowed under the investment policy, such as U.S. Treasury Notes. Given current low interest rates, local investments provide an opportunity for EWEB to meet other business strategies such as connecting with customers with minimal impact on EWEB's finances.

EWEB funds are considered public funds under Oregon Revised Statutes (ORS) and deposits are limited to qualified depositories, as defined by the Oregon State Treasury. Qualified depositories must participate in the Public Funds Collateralization Program (PFCP), under which depositories are required to pledge collateral against any public fund deposit in excess of deposit insurance amounts.

Management proposes that EWEB make deposits with, or use the services of, local institutions that meet certain criteria, subject to the approval of the Treasurer or Assistant Treasurer. Minimum qualifications for financial institutions are:

- Approval by the Oregon State Treasury as a qualified depository
- Member of FDIC or NCUA deposit insurance programs
- Headquarters in the State of Oregon
- A minimum of one credit rating from Standard and Poor's, Moody's, or Fitch, of at least AA, Aa, or AA, respectively
- Offering services and investments that are allowed under, and meet the objectives of, our investment policy
- Not unduly adding to the administrative work required to manage investments and deposits

Recommendation

Management recommends seeking opportunities to make deposits and use services of local institutions that meet the minimum qualifications.

Requested Board Action

Discussion only. No action required.