



Agenda Item Summary

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Submitted By

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Reviewed By

LKS

Agenda Item Title

A Resolution Designating Huntington National Bank as the Village of Oak Park's Authorized Depository and Authorizing the Execution of Related Agreements with Huntington National Bank

Overview

The Village utilizes the services of Huntington National Bank (formerly FirstMerit prior to Huntington acquisition) for the majority of its financial needs, including serving as a depository for all incoming revenue collections, business checking, and money market investments. Village funds are insured by collateralized deposits held at the Federal Reserve. The agreements previously executed with FirstMerit transferred over to Huntington after the acquisition and new agreements were not required. However, in order to increase investment returns, staff is now recommending the execution of a separate agreement with Huntington Bank which would allow the purchase of short term certificates of deposit via the CDARS (Certificate of Deposit Account Registry Service) program.

Staff Recommendation

Approve the Resolution.

Fiscal Impact

None. There are no fees associated with purchasing CDs through CDARS.

Background

By executing an additional agreement with Huntington National Bank and thus allowing the Village to purchase CDs through CDARS, CFO Drazner estimates that the Village can earn an additional \$30,000 to \$40,000 per year in interest by investing a certain amount of cash float not needed in the short term, particularly after the collection of the first and second property tax installments. This cash could then be invested in short term (3 or 6 month) CDs, and earn a higher interest rate than that offered in a money market account. Interest rates continually change, but recent quotes on 3 and 6 month CDs offered through the CDARS program are 1.90% and 2.10%, respectively.

There would be no additional risk to Village funds invested in CDARS, and all CDs purchased would be FDIC insured. When a CD purchase is made using CDARS, the purchase is broken down and allocated into several smaller CD deposits and invested among multiple FDIC insured banks whereas no individual participating bank CD balance would exceed the \$250,000 FDIC limit. For example, if the Village desired to invest \$2,000,000 in

a 3 month CD, CDARS would likely break up this amount and purchase CDs among nine or ten different participating banks, with each one maintaining a CD balance under \$250,000.

Alternatives

Not invest with CDARS.

Previous Board Action

N/A.

Citizen Advisory Commission Action

N/A.

Anticipated Future Actions/Commitments

N/A.

Intergovernmental Cooperation Opportunities

N/A.

Performance Management (MAP) Alignment

N/A.