

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

ASD MEMORANDUM #163 (2004-2005)

January 10, 2005

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: RENEWAL OF CONTRACT: ZERO BALANCE BANKING
SERVICES

RECOMMENDATION:

It is the Administration's recommendation that the School Board approve and authorize the Superintendent to renew the zero balance banking services contract with the First National Bank of Alaska (Bank) for a one-year period, July 1, 2005 through June 30, 2006. The amount required in the non-interest bearing time open account will be updated effective July 1, 2005 using the current semi-annual adjustment formula.

PERTINENT FACTS:

The current contract with the First National Bank of Alaska covers the three-year period from July 1, 2002 to June 30, 2005, allowing the option to renew on a year-to-year basis upon mutual written agreement between the Anchorage School District (District) and the Bank.

Under the current contract, the Bank provides zero balance banking services to the District and charges no fees for checks, pay advices, returned checks, stop payments, wire transfers, direct deposits, coin wrappers, endorsement stamps, pre-printed deposit slips, bank bags, etc. In return, the Bank requires the District to maintain a balance, which gets adjusted semi-annually, in a non-interest bearing time open account to cover costs related to all services provided. The Bank pledges United States Government Guaranteed Securities as collateral for the District's deposits and repurchase agreements in excess of FDIC insured amounts.

The District has maintained a long-term business relationship with the Bank. Services rendered under the current contract have been satisfactory and sufficient to the District's needs. This contract impacts the District financially in two ways:

- The cost of providing banking services is “paid” via maintaining a minimum non-interest bearing deposit at the Bank in lieu of paying service charges;
- School Board Policy Section 724.3 authorizes the District to invest excess funds. This contract ensures that the District’s uncleared checks and other funds on deposit get invested automatically in overnight repurchase agreements yielding the District’s interest income which, without this arrangement, would otherwise be lost.

In December 2004, the District communicated with the Bank its interest to renew the contract subject to School Board approval, and has received written confirmation from the Bank that it is interested in extending the current contract under the current terms for an additional one-year period. It is the Administration’s opinion that it would be in the best interest of the District to go forward with this one-year extension to the current contract.

CERTIFICATION OF FUNDS:

Cash Pool

CC/JS/QS

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Approved by: Janet Stokesbary, Chief Financial Officer