



City of Eustis

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TO: EUSTIS CITY COMMISSION
FROM: TOM CARRINO, CITY MANAGER
DATE: September 21, 2023
RE: Investment Discussion: Tryon Clear View Group Earnings Options

Introduction:

The City contracted with Tryon Clear View Group in January of 2023. They were to review Bank Fees, Credit Card Processing Fees, Telecommunications alternatives and Utility Franchise and Tax Collections.

Background:

Clear View Group approached our bank and franchisees to negotiate better outcomes as well as increase the revenue to the City. To date we have experienced savings from TD Bank as well as Duke on lighting. Savings or earnings to the city will be shared at 70/30 split over a 24-month period and billed over each month. The city receives a 100% savings and remits to Tryon Clear View Group 30% of the savings.

Utility Services

In the case of Duke, we were over charged for street lighting, as the wrong tariff was applied. The first refund from Duke on the street lights totaled a reduction in tariffs which dropped from \$84.19 to \$12.90. The total refund for past years was an over charge of \$42,106.72 and we paid Tryon Clear View \$12,632.02 for a net savings of \$29,474.70.

The monthly savings each month for the next 23 months will be \$4,919.01, and we pay \$1,475.70, a net gain of \$3,443.31.

We also have another potential savings which has to be confirmed by Duke. Annual savings is potentially \$9,474.76 a year. Once validated the monthly savings will be \$789.50 less a 30% payment of \$236.80, for a net savings of \$552.70.

Tryon is still working with Duke, SECO and TECO to validate the information sent to us to ensure that Franchise and Utility Tax payments are correct. They will look at other possible savings with these companies as well.

Telecommunication Services

Both Tryon and our IT department are exploring a switch from our current provider to another with potential monthly savings of \$267.92. This would result in a monthly fee to Tryon of \$80.38, providing a net savings of \$187.54 or \$2,250.40 annually, This is still being examined to ensure that we still have the same quality of service.

Banking Services

Previously all banking arrangements were based on a compensating balance component during the bid process. A designated amount was identified to cover any and all banking related fees. The amount set aside did not earn interest. During the past three years with very low interest earnings, this method may have been the best alternative. TD Bank has indicated that the prevalent method for governments is to establish the banking relations through a compensating balance. This has been the method utilized by the city for many years. However, TD Bank has worked with Tryon Clear View to establish favorable rates for their service as well as offering increased earnings.

In April of 2020, interest earnings dropped from \$6,418.13 to an average of \$1,483.88 through December of 2020. The average earnings for 2021 were 884.13 for annual earnings of \$10,609.51. This continued through June of 2022.

In July the earnings jumped from \$1,499.04 in June to \$4,338.11, providing average earnings of \$8,949.40 for the balance of the year.

With the new arrangement the interest rate went from 2.65% to 3.50%. The increase in earnings was \$40,324 in May and the fee was \$12,097.20 for a net increase in monthly earnings of \$28,226.80. In June, the gross savings was \$39,118.00 less the fee of \$11,735.40 for a net increase of \$27,382.60. Each month the savings are reflected to the monthly cash balance times the rate earned over the original interest rate.

Due to staffing the city has utilized CD's primarily as a means of investments. The Financial Institutions must be a Qualified Public Depository. Years ago, we did invest money in a registered money market fund (Franklin Trust Fund) which lost money. We did make it up buying and selling Treasuries and Federal Agencies and other instrumentalities (Fannie Mae, Freddie Mac and the Federal Home Loan Banks). These are liquid but value is determined by the market.

With regards to TD Bank, the City has a very strong relationship. Any issues that arise can be directed to the Jacksonville office and resolved very expediently through the Vice President of Government Banking. Since they won the bid, it seems appropriate that the majority of the funds invested should stay with this organization. They did not change any fees when we elected to move off the compensating balance. We simply increased the interest earnings.

Tryon Clear View wants us to move up to \$30,000,000 to \$35,000,000 of the funds into Treasury or other government agencies. Both are allowed under the investment policy (Attached), however, using either of these methods also require the payment of Trust fees which could amount to 10 or 15 bases points; reducing the yield. Additionally, the market value of these instruments is affected by the rise and fall of the interest rates.

Certificates of Deposit (CD's) are a fixed rate with no trust fees required. They can be laddered so that we can have various due dates coming forth throughout the year, the same as we could do with Treasuries and Federal Agencies.

Truist has offered securities with an estimated return of 4.95%. J.P Morgan Chase offers a Treasury bill ladder over three months with potential yields of 5.24% for 1 month, 5.07% for 2 months and 5.18% for 3 months. Both would have a trust fee associated with the transactions, which would lower the yield.

Truist is within the city limits; J.P. Morgan is in Orlando and Tampa. TD Bank (Eustis) is offering the following for CD's which do not carry a trust charge as follows:

1 month	5.68%	7 month	5.75.%	18 month	5.35%
2 month	5.69%	8 month	5.74%	24 month	5.06%
3 month	5.73%	9 month	5.72%	36 month	4.73%
4 month	5.74%	10 month	5.69%	48 month	4.51%
5 month	5.75%	11 month	5.67%	60 month	4.39%
6 month	5.75%	12 month	5.64%		

In the past we have tried to make sure that our banking relationships are within the City of Eustis. Truist, Wells Fargo, and TD Bank are the three banks large enough to handle our account. They are also among the top 10 banks in the US. Wells Fargo has never bid on our business. SunTrust and BB&T (now Truist) have both been banks holding our operating accounts.

Other CD rates found were as follows:

Truist in Eustis 12-month rates are 4.50% and 7-months for 5.00%.

Wells Fargo in Eustis relationship rates are 4.75% to 5.01% for 7-months and 5.00% to 5.26% for 11-months.

Seacoast Bank in Eustis 9-month rate is 4.25%; 11-month rate is 4.50% and 17-months at 5.00%.

Climate First Bank in Eustis 9-months for 4.69% and 5.00% 12-months.

Seaside Bank in Tavares rates are 6-months 5.00%.

FairWinds in Eustis rates for 7-months is 5.00%.

Recommendations:

As mentioned above, the change we made from using the compensating balance to paying fees and earning a higher interest rate was beneficial. The 70/30 split still provides the city with much higher earnings.

Treasury and other agencies are dependent on the market and are rated each day. A CD provides the same rate for the period of time invested. The ability to ladder helps ensure that a stream of money is available and the CD can be reinstated for the best rates available. The down side is a penalty, should the money be needed before the maturity.

The best rates at this time are being offered by TD Bank. The best rate is 5 to 7 months at 5.75%. This is the bank we have done business with, and they deserve to have the largest CD's. The other Eustis Banks above could be offered up to \$1,000,000 each, with the remaining \$15,000,000 left at TD Bank.

There are several items to consider when determining the amount of money to invest. Several large upcoming project expenditures such as the Bates Avenue Wastewater Treatment Plant and Coolidge Avenue Improvements dictate that the City maintain sufficient liquidity to cover those costs. Additionally, there was some discussion during the CIP process about using reserves to finance projects. For example, borrowing from reserves and subsequently paying those reserves back for a project like the solar panels at the Eastern Plant ponds.

Staff would not recommend implementing Tryon Clear View's proposal as it involves a lower rate of return from financial institutions with which the City does not currently have a relationship.

Prepared By:

Mike Sheppard, Finance Director

Attachment:

City of Eustis Investment Policy