

Commissioner Comments

October 24, 2022

On October 20, I met with Andrea Peterson, AVP and our account representative and Melissa Casey, SR VP and Chief Financial Officer of CS Bank to discuss security for our deposits with the bank.

The FDIC Insurance limit on our transaction accounts is \$250,000, same as all depositors. The Federal Bureau of Fiscal Monitoring sets guidelines for collateralizing Public Funds.

CS Bank pledges to HISID a part of their investment portfolio as collateral to cover bank balances over \$250,000. The pledged securities are mostly tax-free municipal bonds, and some Federal Agency Bonds. Fixed income securities, such as these are subject to market fluctuation. Interest rates are at the highest levels in nearly 40 years. The market value of fixed-income securities is adversely affected by rising interest rates. As rates go up, market value goes down.

I spoke with Melissa Casey about how our pledged securities were monitored. Her assistant runs monthly pricing reports, showing the current market value of the bonds. This is compared to our bank deposit balances to be sure the collateral is adequate.

In the event of a shortfall, until more securities can be pledged, CS Bank has access to the Federal Home Loan Bank of Dallas for a Standby Letter of Credit.

Melissa offered more frequent pledge reports, if we want them. She asked us to call her if we are making a large deposit. She was aware of AOB fees being paid. I told her about our large checks for the tower and the equipment sale.

I left feeling very comfortable with the service CS is providing us. With funds going to Equity Bank, our staff is aware of these processes and will be watching for pledge receipts from Equity.