

## **LRB – FISCAL REVIEW SECTION ANALYSIS**

**May 8, 2002 AGENDA**

**ITEM 9, FILE 020048**

**FINANCE & PERSONNEL COMMITTEE**

**TERRI GABRIEL**

File Number 020048 is a resolution authorizing the City to enter into a Collateral Pledge and Bailment Agreement where the Federal Reserve Bank will have custodial duties with respect to collateral.

### **Background**

1. S.34.07, Wis. Stats. authorizes the City to require any public depository to give security for any public deposits that exceed the amount of deposit insurance provided by an agency of the United States or by the Wisconsin Credit Union Savings Insurance Corporation and the coverage provided under S.34.08 (2), Wis. Stats.
2. The Federal Reserve is the central bank of the United States that provides the nation with a safer, more flexible, and more stable monetary and financial system.
3. Maintaining stability of the financial system and providing services to the public and financial institutions are among the Federal Reserve's duties.
4. The Federal Reserve Bank, under its Operating Circular 7 and Appendix C, offers custodial services to hold book-entry securities as collateral for municipal deposits.
5. Common Council Resolution File Number 83-1883 authorized the Treasurer, on behalf of the City, to execute separate forms of Collateral Pledge Agreements and Bailment Agreements in dealing with local banks and bailees.

### **Discussion**

1. This file authorizes the City of Milwaukee to use the custodial services offered by the Federal Reserve Bank with regard to public deposits.
2. This file also adopts the agreement as a new standard form for future collateralization and bailment agreements with other banks where the Federal Reserve Bank will act as custodian.
3. Having the Federal Reserve Bank act as custodian enables the City to conduct financial business with smaller financial institutions.

## **Fiscal Impact**

This file has no fiscal impact.

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