



**MINUTES FROM MEETING OF BANKING SUBCOMMITTEE
OF THE CASH MANAGEMENT POLICY BOARD
MAY 10, 2017**

A meeting of the Banking Subcommittee (the "Subcommittee") of the Cash Management Policy Board ("Board") was held on May 10, 2017 at 10:00 a.m. in the main conference room of the Office of the State Treasurer ("OST"), 820 Silver Lake Blvd., Suite 100, Dover, Delaware.

Members in Attendance:

Mr. Warren Engle, Chair, Banking Subcommittee (Telephonically)
Ms. Lynda Messick, Co-Chair, Banking Subcommittee (Telephonically)
The Honorable Ken Simpler, State Treasurer (Telephonically)

Members not in Attendance:

Mr. Rick Geisenberger, Secretary, Department of Finance
Mr. John Flynn, Chairman, Board

Others in Attendance:

Mr. Jason Staib, Deputy Attorney General, Department of Justice (Telephonically)
Ms. Nora Gonzalez, Deputy State Treasurer, OST
Mr. Steve McVay, Director of Investments & Cash Management, OST
Mr. James DiDonato, Banking Manager, OST
Ms. Susan Steward, Policy Advisor, OST
Ms. Martha Sturtevant, Executive Assistant to the State Treasurer, OST

CALLED TO ORDER

The meeting was called to order at 10:00 a.m.

APPROVAL OF THE MINUTES

A MOTION was made by Treasurer Simpler and seconded by Ms. Messick to approve the minutes of the February 8, 2017 meeting.

MOTION ADOPTED UNANIMOUSLY

The March 29, 2017 meeting minutes were briefly discussed. The Subcommittee requested additional detail about the criteria used in the selection of PFM as the treasury banking advisory services consultant. Minutes were tabled pending revision by OST and are to be submitted for approval at the August 2017 Subcommittee meeting.

Treasurer Simpler left the meeting at 10:09 a.m.

COLLATERALIZATION REVIEW

Mr. Staib provided an update on the collateralization project. He indicated Phase I seeking to identify collateralization best practices was near completion but additional analysis of risks associated with intraday spikes was needed. He suggested the consultant engaged for the banking review be involved for Phase II of the project to help the team identify the best solution and necessary amendments to existing banking agreements that would allow the State to design a more efficient collateral management program.

AWARD AND EXTENSION OF BANKING CONTRACTS

The PFM contract was signed on April 18, 2017 for eighteen months with the option for two six-month extensions. Additionally, letters to banking vendors extending their respective contracts until December 31, 2018 were sent.

To facilitate the transition of merchant services to Bank of America Merchant Services (“BAMS”), an amendment was sent by OST to EPX to extend the contract for an additional year from May 2017 with a 60 day notice and termination provision.

BANKING STRUCTURE REVIEW PROJECT

Ms. Gonzalez provided an overview of the scope of work, timeline and the role of the banking task force. She provided a recap of the banking task force first meeting and the feedback received from the various agencies. PFM is scheduled to interview state agencies in order to better understand how each agency is utilizing banking services.

Ms. Gonzalez also addressed the vendor management phase of the engagement and its importance in the development of ongoing due diligence practices by OST. The Subcommittee members agreed that a high-level overview of this topic would be appropriate to present at the upcoming Board meeting.

DIRECT DEPOSIT AND MERCHANT SERVICES IMPLEMENTATIONS

Mr. DiDonato informed the Subcommittee that the direct deposit migration from Wells Fargo to PNC, underway since February, is progressing smoothly and will be completed by the end of the month.

Additionally, Mr. DiDonato offered an update on the migration of merchant services from EPX to BAMS. He noted that the implementation team from BAMS is working with Bank of America to customize the merchant identification numbers that would allow the automatic reconciliation of transactions in the ERP system used by the state (First State Financials). He added that the project has been delayed a month as a result.

OUTSIDE BANK ACCOUNTS

Mr. McVay reported that Phase I of the outside bank account project began in February 2017 and is nearly complete. He clarified that as part of the process all outside bank accounts were reviewed and categorized as allowable or not under the state’s Budget and Accounting Manual (BAM). OST worked with state agencies and school districts to close accounts that did not meet the specified criteria. OST will be reviewing charter school accounts next. Additionally, OST will work with the consultant to evaluate the process of managing these outside bank accounts.

ANNUAL REPORT FORMAT

Mr. McVay described the revised format of the annual report and informed members that it would be delivered to the Board in anticipation to the next meeting. The concise report will consist of a letter from the Chairman,

prior and current year initiatives, as well as current and historical investment performance (with NEPC commentary).

HB 71

Mr. McVay reported that House Bill 71, which requires financial disclosure from all appointed members of the Cash Management Policy Board, remains in committee.

PUBLIC COMMENTS

No members of the public present for comment.

NEXT MEETING

The next meeting of the Subcommittee is scheduled for August 9, 2017.

ADJOURNMENT

A MOTION was made by Mr. Engle and seconded by Ms. Messick to adjourn the meeting at 11:06 a.m.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

Warren Engle
Chair, Banking Subcommittee

Lynda Messick
Co-Chair, Banking Subcommittee