



**MINUTES FROM THE BANKING SUBCOMMITTEE
OF THE CASH MANAGEMENT POLICY BOARD
August 12, 2020**

A meeting of the Banking Subcommittee (the “Subcommittee”) of the Cash Management Policy Board (the “Board”) was held on August 12, 2020 at 10:00 a.m. Pursuant to paragraph 5 of Governor Carney’s Emergency Order dated March 12, 2020 the meeting was held telephonically, without a physical location.

Subcommittee Members Represented or in Attendance:

Mr. Warren Engle, Subcommittee Co-Chair
Ms. Tarrie Miller, Subcommittee Co-Chair
Mr. Dave Marvin, Investment Subcommittee Chair
The Honorable Colleen Davis, State Treasurer
Mr. Sean McNeeley, Director of Bond Finance, Department of Finance (for Secretary Geisenberger)

Subcommittee Members Not Represented or in Attendance:

Mr. John Flynn, Board Chair

Others in Attendance:

Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice
Mr. Daniel Madrid, Chief Operating Officer, Office of the State Treasurer (“OST”)
Ms. Fiah Kwesseu, Director of Operations & Fund Management, OST
Ms. Lisa Embert, Director of Reconciliations & Transaction Management OST
Ms. Dawn Davis, Assistant Debt and Cash Manager, OST
Mr. Todd Feeley, Banking Services Implementation Manager, OST

CALLED TO ORDER

Mr. Engle called the meeting to order at 10:07 a.m.

APPROVAL OF THE MINUTES

A MOTION was made by Treasurer Davis and seconded by Ms. Miller to approve minutes from the Subcommittee meeting on May 13, 2020.

MOTION ADOPTED UNANIMOUSLY

BANKING SERVICES PROJECT

Stored Value Card – US Bank

Mr. Feeley provided the Stored Value Card update. Two of the three state agencies transitioned to the Stored Value Card program in January 2020. US Bank continues to be an excellent partner and has added a digital call center subcontractor to decrease caller wait time. The Department of Services for Children, Youth and their Families is scheduled to join the Stored Value Card program in late 2020 or early 2021.

JP Morgan Chase – General Banking Update

Ms. Embert provided the general banking services update. On September 1, 2020, the Office of Unclaimed Property’s (“OUP”) checking account and outsourced check printing will “go live” with JP Morgan Chase. The migration of OST’s cash concentration account will also begin in September. OST selected a few State agencies to begin their banking transition with initial testing in the State’s accounting system, First State Financials (“FSF”). Various collection services such as wires, ACH and remote deposits will be tested for migration to JP Morgan Chase. FSF testing will begin mid-November.

The Division of Revenue’s (“DOR”) legacy, and forth-coming payment system Integrated Revenue Administration System (“IRAS”), are on target to begin transitioning mid-September through October. Lastly, OST started meetings with the Payroll Human Resource Statewide Technology Agency and the Division of Accounting to plan the migration of their accounts.

There was discussion around the project completion percentage to date and targeted completion date. OST estimates fifty percent completion to date with a target date of completion within the first half of 2021 due to FSF testing. Mr. Madrid directed the Subcommittee to the Project Plan in Simbli.

Extension of PNC & BNYM Contract

Mr. Madrid presented background on the need to request a six-month extension on the contracts for PNC and BNYM. The final one-year optional extension for the PNC contract expired December 31, 2019, and OST obtained a waiver to extend the contract through December 31, 2020. The BNYM contract is in the last one-year optional extension and will also expire December 31, 2020. There was discussion around whether an RFP would be required, the need for an opinion from the Delaware Department of Justice if no RFP is pursued and the length of the extension. Although the JP Morgan Chase transition is projected to be completed by the first half of 2021, the Subcommittee agreed that a one-year extension would allow OST to lock in pricing and ensure adequate time to transition the remaining State agencies in the uncertain times of COVID-19.

**A MOTION was made by Ms. Miller and seconded by Mr. McNeeley to recommend that the Board grant OST authority to extend the banking contracts with PNC & BNYM for one year (through December 31, 2021) with the option to terminate at OST’s discretion, with both extensions being subject to an opinion issued by the Delaware Department of Justice.
MOTION ADOPTED UNANIMOUSLY**

LOCAL BANKING

M&T Bank

Ms. Kwesseu provided the local banking updates. OST concluded contract negotiations with M&T Bank on August 7, 2020 and will sign the legal documents via DocuSign.

Status of Remaining Contract Awards

OST began contract negotiations with the remaining three awarded local banks, Citizens Bank, WSFS and TD Bank, on July 7, 2020. OST provided the Statement of Work and Standard Terms and Conditions to each bank for their legal review. The M&T Bank documents will serve as a template for the remaining local banks.

Mr. Staib noted that the M&T Bank contract was intensely negotiated and took more time than anticipated. Treasurer Davis commended Mr. Staib and Ms. Kwesseu for their due diligence in completing the contract negotiations with M&T Bank.

MERCHANT SERVICES

PCI Compliance

Mr. Madrid updated the Subcommittee on merchant services. OST continues to work with Department of Technology and Information and Payment Card Industry (“PCI”) consultant, CampusGuard, to review and prepare each State agency to complete self-evaluation questionnaires by year end. State employees can now access virtual PCI compliance training in the Delaware Learning Center (“DLC”). Employees can also access templates in the DLC to create or update their agency’s PCI policies and procedures.

OST is finalizing compliance work with the largest merchant in the State, the Department of State, and then will work with the next largest merchant, Delaware Technical & Community College (“DTCC”).

There was discussion around the State’s progression in becoming PCI compliant. OST will focus on securing the Department of State, DTCC, the Department of Finance, Courts, and the Division of Parks & Recreation by calendar year end. These five agencies have the largest volume and comprise 99% of the State’s merchant transactions. OST will contact the remaining agencies collectively to help through the process. PCI compliance is a multi-year effort.

Merchant Processing and Gateway Solutions Consultant RFP

The Board gave OST authority to issue an RFP for the second merchant processing and gateway solutions consultant to modernize payment infrastructure in the State. The RFP was issued on April 22, 2020, and Deloitte Consulting was the sole respondent. The finalist presentation was held in June 2020. Deloitte’s proposal included a comprehensive assessment of the State’s merchant processing systems with written recommendations, six training sessions and on-site consultation over the course of two years. The \$1.8 million initial proposal was cost prohibitive; thus OST requested a revised proposal focusing on emerging payment systems (real time payments) and up to two training sessions to assist with the evaluation and implementation of the merchant services RFP and contracts.

Deloitte’s revised proposal includes up to two training sessions on emerging payment technology (not to exceed \$50k) and up to two on-site consulting sessions to assist OST with building and evaluating the merchant services RFP. Deloitte or a qualified sub-contractor will provide the consulting services over 12-18 months (not to exceed \$75,000 or \$125,000 when combined with the training sessions).

There was discussion around the likelihood of a sub-contractor providing the consulting services, with Deloitte ultimately being responsible for ensuring the sub-contractor fulfills the contracted services.

A MOTION was made by Mr. Engle and seconded by Ms. Miller to recommend that the Board grant OST authority to contract with Deloitte Consulting for merchant processing and gateway solutions consulting services based on the revised proposal.

MOTION ADOPTED UNANIMOUSLY

Merchant Processor and Gateway Contract

OST was informed previously that the merchant processor contractual relationship with Bank of America Merchant Services (“BAMS”) was dissolving in July 2020. In June 2020, OST was notified that the BAMS contract would be assigned to FiServ, effective July 1, 2020. FiServ has been responsive to OST’s needs and guarantees continuity with all contractual obligations including services to gateway systems and the merchant settlement account with Bank of America. The FiServ (formerly BAMS) initial three-year contract term will expire December 31, 2020. The contract requires at least 120 calendar days to exercise the first of two one-year options.

A request was made for the Board to receive a summary of FiServ’s financial statements.

A MOTION was made by Mr. Engle and seconded by Ms. Miller to recommend that the Board grant OST authority to exercise the first one-year merchant processor contract extension with FiServ through December 31, 2021.

MOTION ADOPTED UNANIMOUSLY

OST is seeking authority to launch a comprehensive RFP for merchant processing, gateway services and account analysis technology. OST anticipates issuing the RFP in October 2020, selecting finalists in February 2021, and completing contracts in June 2021. The tentative timeline would allow OST to implement the new contract(s) when the FiServ contract extension ends on December 31, 2021.

A MOTION was made by Mr. Engle and seconded by Ms. Miller to recommend that the Board grant OST authority to proceed with the RFP process for comprehensive merchant services, gateway services and account analysis technology.

MOTION ADOPTED UNANIMOUSLY

EXECUTIVE SESSION

No executive session was held.

PUBLIC COMMENTS

No members of the public present for comment.

NEXT MEETING

The next full Board meeting is scheduled for August 26, 2020.

The next Banking Subcommittee meeting is scheduled for November 18, 2020.

ADJOURNMENT

A MOTION was made by Treasurer Davis and seconded by Ms. Miller to adjourn the meeting of the Subcommittee at 11:22 a.m.

MOTION ADOPTED UNANIMOUSLY

Respectfully Submitted,

Warren Engle
Co-Chair, Banking Subcommittee

Tarrie Miller
Co-Chair, Banking Subcommittee