



**MINUTES FROM MEETING OF BANKING SUBCOMMITTEE
OF THE CASH MANAGEMENT POLICY BOARD
NOVEMBER 8, 2017**

A meeting of the Banking Subcommittee (“Subcommittee”) of the Cash Management Policy Board (“Board”) was held on November 8, 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.

Subcommittee Members Represented or in Attendance:

Mr. Warren Engle, Subcommittee Chair

Ms. Lynda Messick, Subcommittee Co-Chair

The Honorable Kenneth Simpler, State Treasurer

Ms. Stephanie Scola, Director of Bond Finance, Department of Finance (on behalf of Mr. Richard Geisenberger)

Subcommittee Members Not Represented or in Attendance:

Mr. John Flynn, Board Chair

Others in Attendance:

Mr. Jason Staib, Deputy Attorney General, Department of Justice

Ms. Nora Gonzalez, Deputy State Treasurer, OST

Ms. Susan Steward, Policy Advisor, OST

CALLED TO ORDER

Mr. Engle called the meeting to order at 10:00 a.m.

APPROVAL OF MEETING MINUTES

A MOTION was made by Ms. Messick and seconded by Treasurer Simpler to approve the minutes of the August 22, 2017 meeting.

MOTION ADOPTED UNANIMOUSLY

BANKING STRUCTURE REVIEW PROJECT

Ms. Gonzalez reported on the progress of the banking structure review. Over the last two months, OST has allocated additional resources to assist the PFM team in revising the report. PFM provided a revised report in October 2017, which is still under review.

Ms. Gonzalez noted that the recommendations made by PFM will not be easy to implement and will require external agency resources and assistance.

Ms. Gonzalez noted that the timeline has changed for the banking services RFP, with the RFP issuance now anticipated at the end of January 2018.

COLLATERALIZATION OF STATE FUNDS

Mr. Staib reported on the collateralization research project. Mr. Staib noted that risks associated with intraday bank failures are relatively remote given the rules and historical practices of the Federal Deposit Insurance Corporation. Mr. Staib noted that the Board may want to consider an amendment to the Board's cash management guidelines, which presently require full collateralization of intraday balances. Most public cash managers, with the exception of Maryland, ignore intraday risks and set collateralization levels based on average monthly or end of day balances. Mr. Staib noted that the use of variable balance Federal Home Loan Bank letters of credit may be a cost effective way to address intraday risk if the Board desires to stay with the existing collateralization requirements.

The Subcommittee asked for a brief memo summarizing the collateralization project findings, making guideline recommendations and addressing several questions posed by Subcommittee members.

[Ms. Messick signed off]

MERCHANT SERVICES IMPLEMENTATION

Ms. Gonzalez provided the Subcommittee with an update on the progress of the merchant services implementation. Ms. Gonzalez noted that OST hired a temporary employee with merchant services experience to lead the transition from the current vendor to Bank America Merchant Services ("BAMS").

Mr. Engle asked if there is a target date for the completion of the transition. Ms. Gonzalez indicated that OST had expected to transition by the end of the current week. The transition was delayed once again due to issues with BAMS' test file.

Ms. Scola asked about alternatives if OST is forced to terminate the contract with BAMS. Treasurer Simpler stated that merchant services could be rolled into the banking services RFP in 2018.

NEW BUSINESS

No new business.

PUBLIC COMMENTS

No members of the public present for comment.

NEXT MEETING

The next meeting is scheduled for February 14, 2018.

ADJOURNMENT

A MOTION was made by Ms. Scola and seconded by Treasurer Simpler to adjourn the meeting at 11:15 a.m.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

Warren Engle
Chair, Banking Subcommittee

Lynda Messick
Co-Chair, Banking Subcommittee