



STATE BOARD OF DEPOSIT STATE OF OHIO

Members:
Robert Sprague, Chairman
Treasurer of State
Dave Yost
Attorney General
Keith Faber
Auditor of State

Minutes of the meeting of the State Board of Deposit held July 20, 2023, which started at 2:00 p.m. in the Office of the Ohio Treasurer of State, 10th Floor Training Room, Rhodes State Office Tower.

MEMBERS PRESENT: Robert C. Sprague, Treasurer of the State of Ohio
Jay R. Easterling, representing the Ohio Attorney General
Timothy S. Keen, representing the Ohio Auditor of State

OTHERS PRESENT: Harold Anderson, Secretary
Marjorie Kruse, Deputy Treasurer
Jennifer Day, Treasurer of State
Jane Wolfe, Treasurer of State
Mike Lenzo, Treasurer of State
Laura Martine, Treasurer of State
Blake Bishop, Treasurer of State

The Secretary of the State Board of Deposit has complied with section 135-1-01 of the Administrative Code concerning notice of the meetings of the State Board of Deposit.

Chairman Sprague called the meeting to order. Chairman Sprague asked for a motion that the reading of the minutes from the State Board of Deposit meeting held May 16, 2023, which were previously distributed to the members, be dispensed and that the minutes be approved. Mr. Sprague made the motion to approve the minutes and Mr. Easterling seconded. Motion carried (3-0).

RATIFICATION OF THE INTERIM FUNDS OF THE STATE OF OHIO

Mr. Sprague moved on to the agenda item related to ratification of Interim Funds. In the packet the Board members received were reports for the months May 2023 through June 2023. The individual full monthly reports were previously sent to the members and were posted on the Treasurer's website. The last page on the investment ratification report from May 2023 through June 2023 is the amount the Board is being asked to ratify. Mr. Sprague called for a motion to ratify the designation of interim funds in the amount of \$8,328,890,663.71 (eight billion, three hundred twenty-eight million, eight hundred ninety thousand, six hundred sixty-three dollars and seventy-one cents) for the months of May 2023 through June 2023. Mr. Keen moved to ratify the designation of interim funds and Mr. Easterling seconded. The motion carried (3-0).

OLD BUSINESS

There was no old business to bring before the Board.

NEW BUSINESS

The first item of new business was a budget update.

Jane Wolfe, with the Treasurer's office, presented the Board of Deposit budget update for fiscal year 2024. This presentation was for informational purposes only, no motion to approve was required or taken by the Board. Ms. Wolfe stated that the Board had before them a report that showed a snapshot of fiscal year 2024 budget which started July 1, 2023. The appropriations were flat and are based upon fiscal year 2023 budget numbers. It shows banking expenses based on what we believe to be the annual costs for the fiscal year. It also shows the incidental expenses that the Board covers for warrant processing and other expenses. Ms. Wolfe noted that we are going to start the fiscal year flat from fiscal from fiscal 2023. Mr. Keen asked what was the actual final expenditure for the last fiscal year? Ms. Wolfe indicated that all of the expenses were not in yet, as the banks are about sixty days behind in billing. Mr. Keen then asked whether those expenses were paid against encumbrances from last year? Ms. Wolfe stated that they were and could still be paid until December 1, 2023, and that by October she could bring in the final numbers. Ms. Kruse indicated that she believed that the Treasurer's Office was hoping to hold a meeting in October.

Mr. Sprague asked Marj Kruse to give an update on the recently passed TOS modernization language, and changes to the state investment policy. Ms. Kruse addressed the Board. Ms. Kruse stated that the budget bill, HB 33, contained several statutory changes that effect the Board of Deposit in a good way. The first change is to merchant services, which is credit card processing. Needless to say, state agencies are utilizing credit cards or offering cards as an option for payment with increasing frequency. Currently the state has only one processor that has met the qualifications of the Board's RFP and been designated by the Board. From time to time an agency wants to move forward with a beginning to end system, however, they have to plug in to the Board of Deposit designated processor. We think it is important to offer the agencies more flexibility. The change allows agencies, during contract designation periods, to bring to the Board of Deposit different processors for designation by the Board. This change was passed into law, and it and all of the other changes Ms. Kruse discussed, become effective October 3, 2023.

The bill also eliminated the classification of inactive deposits. As the Board members may know from years and years ago, if the money was not being spent in the two-year budgetary period it was supposed to go to a designated bank in a special deposit account that had been awarded by the Board of Deposit. That strategy has not been used for many years, as the Treasurer's Office invests the money instead. The state's money is really either active or interim, and we have not had any inactive deposits in years and years, so that classification was eliminated from the code.

Also, the bill extended the designation period for the active and interim public depositories which are designated by the Board of Deposit. The Treasurer's Office on behalf of the Board will only be issuing an RFP every four years instead of every two years. The current contract has been extended, in a temporary law, by one year. The contracting process will move to an odd year cycle instead of an even year cycle. Mr. Keen asked if the odd year would cause the next process to begin when? Ms. Kruse indicated that the next RFP would issue in the fall of 2024, to become effective in July 2025. This will help the next Treasurer in that the RFP will not have to go out in the first twelve months of the term. It is a very complicated process and the negotiations with the different depository banks is even more complicated then just putting the RFP together. This will allow the staff in the treasurer's office, if they are not incumbents carried over from the previous treasurer, to become familiar with the process. Mr. Keen stated that this was a really good change. Mr. Sprague stated that it was Ms. Kruse's suggestion. He also added that the Treasurer's Office spends a lot of operational staff members' time on these RFP proposals and the process. In addition, the new treasurer will have time to gain some experience; it will allow the staff to have a little breathing room. The current staff does a really good job, because these take a very long time to complete. Mr. Sprague noted it was a lot of work for Jennifer Day. It will be nice to have people

freed up instead of constantly going through the RFP processes all of the time. Ms. Kruse pointed out that it will also be easier on the banking partners, it is like being in continual RFP process for them.

Ms. Kruse then continued, stating that the active and interim depository application period was increased from thirty days to one-hundred twenty days, so that they (the banks) can put everything together in one packet (both active and interim deposit applications). It allows the staff in Trust to have adequate time to review and make sure everything is in order.

Ms. Kruse also detailed that the bill also redefined the warrant clearance process, because the state no longer issues just paper warrants. A new way was needed to enter into agreements with banks for pre-paid cards for EBIT cards for JFS, and other agencies. Because we do not know what the next payment methodology might be, it is of importance sometimes to have a separate account to clear these obligations through, so that it does not get mixed in with the other transactions going from the account. It allows the agency to wire the money back and forth to cover the obligations for that day. This will facilitate the Treasurer's Office operations as well as the agencies who utilize this method. She added that she believed that the AG's Office uses some cards for crime victims for instance. It also establishes a process similar to what was described for credit cards, if an agency needs a new bank account because there is new statute. Previously there was no process in place for them to bring that forward to the Board for approval and designation to a bank. It is something that the Treasurer's staff has just carried out when there is a new statute and a new fund. The proper thing to do is to come forward and get Board of Deposit approval.

Lastly, the Treasurer's Office is going to simplify the reports that the Board members get, by giving them in summary format with the detail available. Mr. Keen asked if that required a statutory change? Ms. Kruse indicated it did require such a change. Mr. Sprague stated that he wanted to speak to the RFP and fund approval. He indicated that Mike Lenzo and the legal staff worked on the contracts, and the contracts are immense and complex. In many cases we are trying to negotiate on things the banks really do not want. He wanted to mention that because the legal department works very hard on behalf of the Board of Deposit. Ms. Kruse agreed and added that it is also becoming more problematic because of the relationships between the banks themselves and their fintech vendors. Trying to get everyone on the same page is sometimes difficult.

Ms. Kruse indicated that the foregoing wrapped up the statutory changes. She then said that the Treasurer's Office recently updated the state portfolio's investment policy. It is posted on the website. But she highlighted two specific changes that were adopted. She stated that although statutory authority was there, the Treasurer's Office determined that the policy should enumerate two new eligible types of investments. The first is to participate in federally insured re-deposit programs. This is a situation where the state makes a large deposit in a bank, and the bank immediately breaks it up into smaller chunks and re-deposits it, under the FDIC threshold, in a series of banks that they have under contract through a network. The second one is giving TOS the ability to invest in a pool of SBA 7A loans. The plan is that a majority of these loans will be related to Ohio businesses, keeping Ohio money in Ohio. That was enumerated as an eligible type of investment, but statutory authority was already present for that type of investment. Mr. Sprague then clarified that TOS is not investing directly in the SBA 7A loan, the state is investing in the federal guarantee portion of the SBA loan. Mr. Sprague then reiterated to ensure that the Board understood that the state is not investing directly in SBA loans. Ms. Kruse agreed with that statement.

Ms. Kruse went on to state that TOS also documented its ability to purchase debt that was issued by a state institution of higher learning. A prior bill gave the authority TOS has the ability to intercept state funding in case of default. The TOS believes that was a good guarantee for the Treasurer's Office, so TOS is in preliminary discussions with one of the state universities about utilizing that authority to backstop some of their debt. Last of all, TOS has typically had a list of approved issuers for corporate debt which has gone through a credit analysis

process. TOS has documented that in the policy itself; and established a graduated matrix for credit rating of this type of debt. This allows TOS to invest for longer periods in higher rated debt and shorter periods in lower rated debt. All of these investments discussed are required to stay within the statutory limitations for investments.

Ms. Kruse then introduced Scott Adams, who started in the Treasurer’s Office this week. His department is the one that processes all of the transactions that result in the pages and pages of holdings that you have been reviewing for the last few years. Mr. Sprague stated that Scott comes to the Treasurer’s Office with incredibly diverse and rich background. He has great capability, and the office is fortunate to have him leading the investment desk. There will a lot of interesting things going on with interest rate environment, and what is happening in the commercial real estate sector. All of which will affect credit. And Scott and his team will do a great job handling that for the state and serving the people of the State of Ohio. Mr. Keen welcomed Mr. Adams.

Additional new business before the Board: one resolution; 2023-02, for the designation of public depositories, was presented to the Board for approval. Secretary Anderson read the Resolution into the record.

**STATE BOARD OF DEPOSIT
RESOLUTION – 2023-02**

July 20, 2023

WHEREAS, the Treasurer of State, on behalf of the State Board of Deposit, solicited applications from eligible financial institutions to be designated as public depositories of the public moneys of the state; and

WHEREAS, the Treasurer of State has received additional applications from eligible financial institutions desiring to be designated as public depositories of interim deposits of the public moneys of the state for the period commencing July 4, 2022, and ending on June 30, 2024; and

WHEREAS, the Treasurer of State has reviewed such applications and determined that each satisfies the requirements of Chapter 135 of the Ohio Revised Code.

THEREFORE, BE IT RESOLVED BY THE STATE BOARD OF DEPOSIT:

The attached list of financial institutions set-forth in Exhibit A are hereby designated as public depositories of the public moneys of the state, for interim deposits only, for the period commencing July 4, 2022, and ending on June 30, 2024. The attached Exhibit A shall be incorporated herein by reference.

Robert Cole Sprague, Chairman _____
Treasurer of State

Dave Yost _____
Attorney General

Keith Faber _____
Auditor of State

EXHIBIT A

(Resolution BOD 2023-02)

July 20, 2023

Name of Financial Institution:


First National Bank of Sycamore
Metamora State Bank
Quest Federal Credit Union
Twin Valley Bank

Mr. Sprague asked for a motion to approve the resolution for the banks listed in the attachment to be public depositories for interim funds for the period beginning July 4, 2022, and ending on June 30, 2024. Mr. Sprague made a motion to approve, and Mr. Easterling seconded. The motion carried (3-0).

There being no further business to come before the Board, Mr. Sprague made a motion to adjourn which was seconded by Mr. Keen. The motion carried (3-0).

Mr. Sprague adjourned the meeting.


ROBERT SPRAGUE, TREASURER OF STATE
CHAIRMAN, STATE BOARD OF DEPOSIT

ATTEST: 
SECRETARY
Date approved: 5 October 2023

ATTORNEY GENERAL 

AUDITOR OF STATE  For Keen



STATE BOARD OF DEPOSIT STATE OF OHIO

Members:
Robert Sprague, Chairman
Treasurer of State
Dave Yost
Attorney General
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Auditor of State

STATE BOARD OF DEPOSIT RESOLUTION – 2023-03

October 5, 2023

WHEREAS, the Treasurer of State, on behalf of the State Board of Deposit, solicited applications from eligible financial institutions to be designated as public depositories of the public moneys of the state; and

WHEREAS, the Treasurer of State has received additional applications from eligible financial institutions desiring to be designated as public depositories of interim deposits of the public moneys of the state for the period commencing July 4, 2022, and ending on June 30, 2024; and

WHEREAS, the Treasurer of State has reviewed such applications and determined that each satisfies the requirements of Chapter 135 of the Ohio Revised Code.

THEREFORE, BE IT RESOLVED BY THE STATE BOARD OF DEPOSIT:

The attached list of financial institutions set-forth in Exhibit A are hereby designated as public depositories of the public moneys of the state, for interim deposits only, for the period commencing July 4, 2022, and ending on June 30, 2024. The attached Exhibit A shall be incorporated herein by reference.

Robert Cole Sprague, Chairman
Treasurer of State

Robert Cole Sprague

Dave Yost
Attorney General

Dave Yost
FOR Dave Yost

Keith Faber
Auditor of State

Keith Faber
FOR Keith Faber

EXHIBIT A
(Resolution BOD 2023-03)
October 5, 2023

Name of Financial Institution:

Kemba Financial Credit Union
Cincinnati Savings & Loan Co.