



# *FMC Conference* *Unwinding Streamlined Banking*

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# Agenda

- Streamlined Banking History
- OST Banking Overview
- Consolidated Treasury Accounts
- Questions





# Streamlined Banking

- Established prior to 2009
- Includes 6 agencies
  - DOAA
  - DBF
  - SAO
  - DOAS
  - Pardons and Paroles
  - PDSC



# Streamlined Banking

- Goal was to centralize banking
  - Bank of America awarded receipt accounts
  - Wells Fargo awarded disbursement accounts
  
- De-customizing SLB in order to allow SAO and OST to implement improved solution for the State



# OST Banking Overview

## STATE BANK FEE PROGRAM

- OST's banking group performs banking reviews in accordance with the State's Bank Fee Policy
- Bank Fee Policy is set by the State Depository Board
- Bank Fee Program (BFP) Banks
  - There are 13 banks participating in BFP program: Bank of America, BB&T, CertusBank, Citibank, Citizens Trust, Fifth Third, JP Morgan Chase, PNC, Regions, SunTrust, Synovus, U.S. Bank, and Wells Fargo
  - Six of these banks currently have BFP accounts: Bank of America, BB&T, Regions, SunTrust, Synovus, and Wells Fargo





# Bank Evaluation Overview

## STATE ENTITIES

- Two types of accounts
  - Bank Fee Program
  - Non-Bank Fee Program
- Evaluations/Reviews conducted by OST every three years
- OST will conduct a Pro Forma review; no RFP
- OST will complete a cost analysis and recommend the lowest cost provider to state entity

## COLLEGES & UNIVERSITIES

- One type of account
  - Non-Bank Fee Program
- Evaluations/Reviews conducted by OST
  - TCSG every three years
  - USG every five years
- May choose a Pro Forma review or issue an RFP
- OST will conduct an analysis and provide an evaluation of the three lowest cost banks

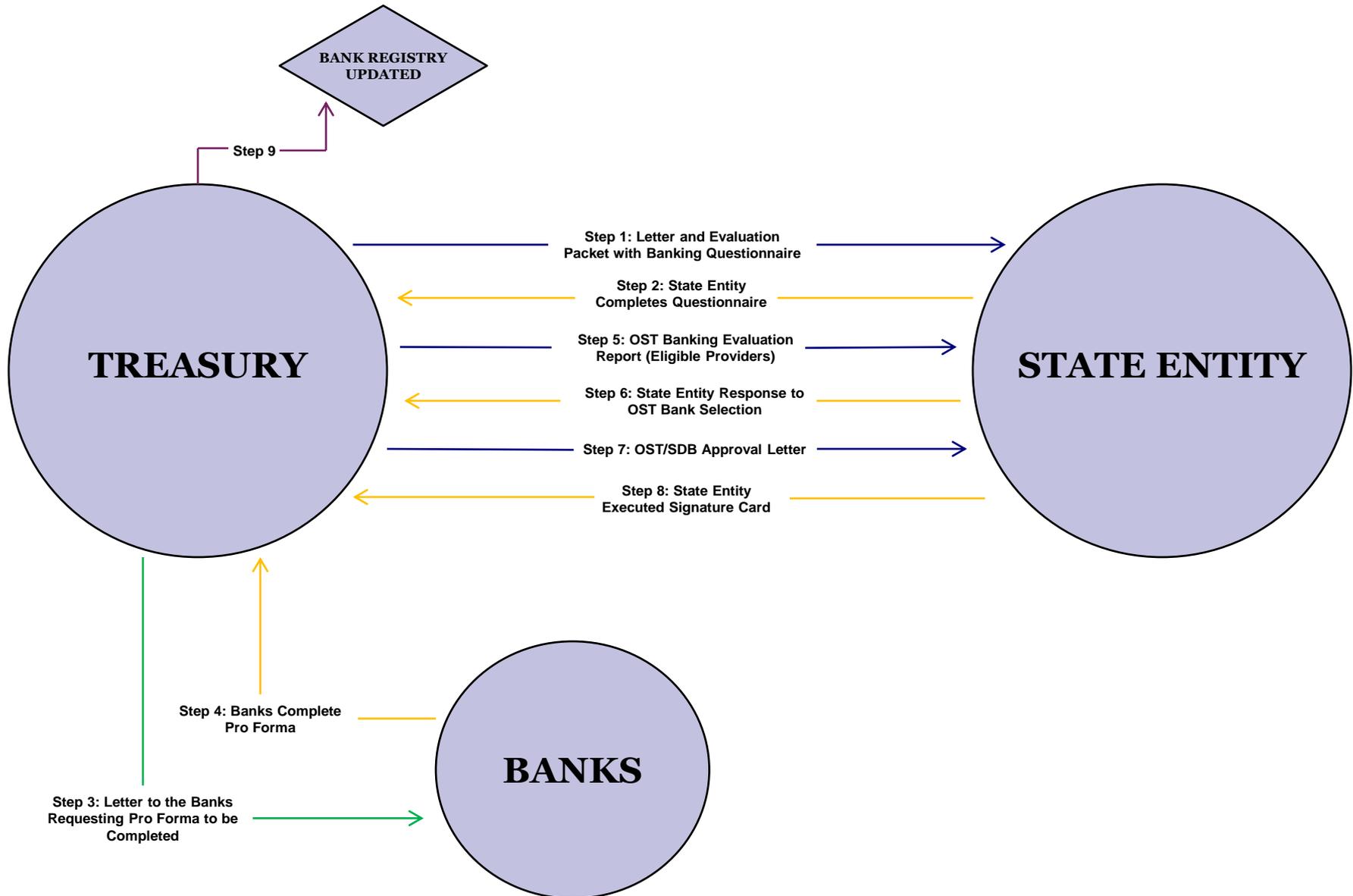


# Bank Evaluation Overview

- Bank Fee Program Review - (349 Accounts)
  - Bank's Master Fee Schedule represents fees for all state accounts
  - Lower prices may be offered on any bid. If accounts and/or services are awarded, the lower prices become the standard for that bank and will apply to all BFP accounts for the term of the winning commitment, e.g., 1, 2 or 3 years
  - Waived fees are specific to a state entity evaluation and do not impact the bank's Master Fee Schedule
  - OST will recommend the lowest cost provider for each state entity's account
  - An exception process is in place if the state entity would like to request another provider for valid reasons
  
- Non-Bank Fee Program Review - (1,477 Accounts)
  - Bank's Master Fee Schedule represents standard fees and ceiling for all state accounts
  - Lower prices may be offered on any bid. If business is awarded, the new prices will only apply to the specific state entity
  - State entity may choose from among the 3 lowest cost providers



# Bank Evaluation Process





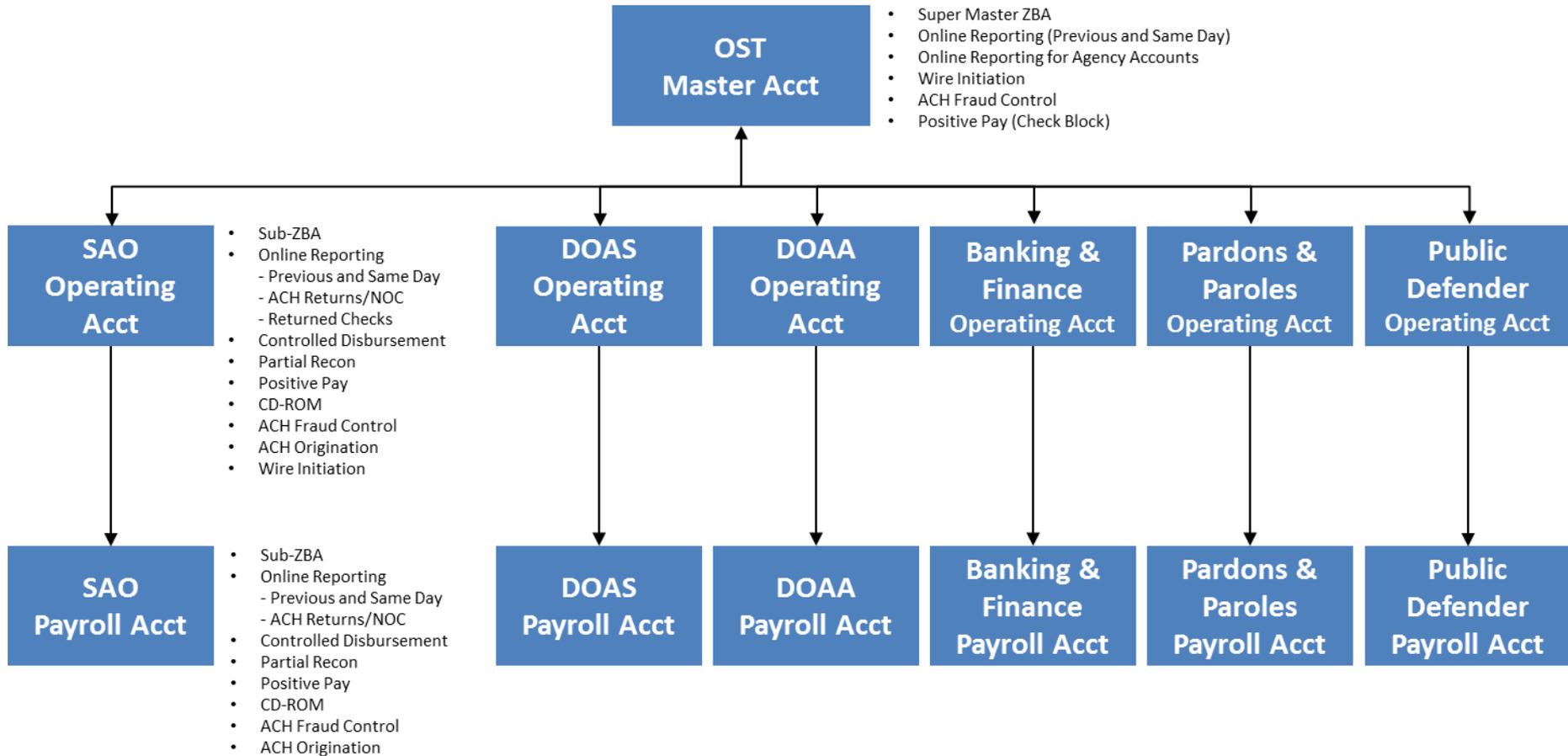
# Consolidated Treasury Accounts Structure

## PROGRAM HIGHLIGHTS

- SAO and OST will work together to implement the CTA structure with the six pilot agencies and then will create the structure at the six BFP banks that have active BFP accounts
- CTA structure will incorporate all existing operating and payroll accounts in the BFP
- OST Master account with ZBA subs for each agency will be created for all agencies that receive state funds
- CTA structure will be implemented at remaining BFP banks as they are awarded BFP accounts
- OST will continue to conduct bank reviews every three years - if review results in changing banks, BFP accounts will be incorporated into the new bank's CTA structure



# Consolidated Treasury Accounts Structure





# Consolidated Treasury Accounts Structure

## PROGRAM HIGHLIGHTS (continued)

- New CTA structure will assist the State in concentrating cash and maximizing earnings
  - Achieved through Zero Balance Account (ZBA) structure
  - ZBA master account will be at the State Treasury
  - Agency Operating and Payroll accounts will be ZBA sub-accounts to OST Master
  - Master account will automatically fund agency disbursements and excess funds will be swept to master account each day
  - Tentative “Go Live” planned for six pilot agencies in February 2014
  
- Each agency will have access to their bank’s online system
  - Agencies will only have access to their bank accounts
  - Online system will allow agency to track bank account activity, manage Positive Pay exceptions, place Stop Payments, view images of checks, issue voids, etc.
  - Agency will have ability to initiate wire transfers (if applicable); 10:30 a.m. cut-off time



# Consolidated Treasury Accounts Structure

## ACCOUNTING HIGHLIGHTS

- Fiduciary accounts for agencies
  - OST will establish a Fiduciary “agency cash” account for each agency
  - Reports reflecting the Fiduciary account balance will be distributed to the agencies each day
  - The Fiduciary account balance will represent an agency’s “cash balance” and the funds available for clearing bank account disbursements
  - Agencies will be required to transfer funds from local depository or other Non-BFP accounts as necessary to fund disbursements from Operating and Payroll accounts
  - Allotment deposits and deposits to the agency ZBA bank account will increase the balance of the Fiduciary account
  - Agencies will need to use ARIS to remit revenue collection funds to OST
  - OST will process the revenue collection ARIS transfers as a non-cash transfer of funds from the agency Fiduciary account to the State Treasury
  - Daily controlled disbursements and electronic fund disbursements from the Operating and Payroll accounts will decrease the balance of the agency Fiduciary account



# Consolidated Treasury Accounts Structure

## WRAP-UP

- Overall goals
  - Concentrate the State's cash resources at OST
  - Improve liquidity
  - Facilitate reporting State's cash position
  - Increase investment earnings
  - Create operational and system efficiencies at SAO
- Daily cash balances in BFP accounts range from \$300 - \$600 million
- CTA Structure will improve the State's cash management using ZBA structures at all BFP banks
- Policies are being developed and will be distributed as we implement the pilot agencies
- This project will allow the State to achieve the original objectives of SLB while maintaining relationships with all banks in BFP



# Consolidated Treasury Accounts Structure

**Questions?**