

Committee Report

Management Committee



Committee Meeting Date: March 22, 2023

For the Metropolitan Council: April 12, 2023

Business Item: 2023-039

Amendment to List of Authorized Financial Institutions

Proposed Action

The Metropolitan Council approve amending the 2023 List of Authorized Financial Institutions to add Sunrise Banks and BankCherokee as approved institutions for the Certificate of Deposit program.

Summary of Management Committee Discussion/Questions

Mark Thompson, Director Treasury, presented Business Item 2023-039.

Mr. Thompson gave the following background: The 2023 List of Authorized Financial Institutions provides awareness and transparency of the Council's financial services relationships. The 2023 list was previously approved at the Council's November 30, 2022 meeting (2022-291). This business item seeks to amend the previously approved list by adding Sunrise Banks and BankCherokee to the Certificate of Deposit category. All banks doing business with the Council require prior approval per policy.

Mr. Thompson explained that the CD program is part of the Council's investment portfolio and the Council purchases Certificates of Deposit with local community banks who have a track record of supporting small businesses, affordable housing, community development, and the unbanked, putting funds back into the community.

Mr. Thompson explained current stresses in the banking system may not be over, and the Council is being cautious, patient, and performing strong due diligence when choosing banks and purchasing CDs. Adding these two banks to the approved list does not guarantee the Council will purchase CDs from them, there is no immediate time line for CD purchases. The Council is following the banking situation closely, is having dialogue with all of its banks, and is not currently aware of any liquidity issues at its banks.

Mr. Thompson explained that currently all cash banking deposits are at two large banks – Wells Fargo and US Bank. There are no cash deposits at smaller community banks, but the Council has CDs with seven smaller community banks under the CD program. State Statute Chapter 118A dictates how the Council uses deposit accounts and provides protections. Per statute, all cash banking deposits and the CDs are insured by FDIC up to \$250,000 and any amounts over that limit are collateralized.

Council Member Johnson expressed she was glad to see the Council will be taking time to see how the banking situation unfolds and is performing due diligence. She also asked about the protections provided by statute. Council Member Lilligren commented he was familiar with Sunrise Banks, they do good things in the community, and that they did suffer during the 2008 financial crisis and then recovered. He also mentioned we do not want to forget about the small banks as our support is important to them and the community.

Motion by Pacheco, seconded by Lilligren. Motion carried.

Business Item

Management Committee



Committee Meeting Date: March 22, 2023

For the Metropolitan Council: April 12, 2023

Business Item: 2023-39

Amendment to List of Authorized Financial Institutions

District(s), Member(s):	All
Policy/Legal Reference:	Council Policy on Investments, Minnesota Statutes 473.542 and 118A.02
Staff Prepared/Presented:	Mark Thompson, Director Treasury, 651-602-1629
Division/Department:	Regional Administration/Finance

Proposed Action

The Metropolitan Council approve amending the 2023 List of Authorized Financial Institutions to add Sunrise Banks and BankCherokee as approved institutions for the Certificate of Deposit program.

Background

At its November 30, 2022 meeting, the Metropolitan Council approved the 2023 List of Authorized Financial Institutions (BI 2022-291). This business item asks for approval to amend the previously approved list to add Sunrise Banks and BankCherokee to the Certificate of Deposit category. All banks and investment firms doing business with the Council require prior approval.

As a way to put a portion of long-term investments to work in the community, the Council has been purchasing Certificate of Deposits at local community banks that have a successful track record of supporting and investing in locally owned small businesses, affordable housing, and community development initiatives. The Council has approved \$20-25 million for this program and currently \$18.5 million is invested with seven banks.

Staff has been working to add more banks to the program. Applications have been received from Sunrise Banks and BankCherokee. Sunrise Banks has demonstrated community involvement through its 'Outstanding' CRA rating and is a Community Development Financial Institution, which means least 60% of its loan portfolio goes to low-and-moderate income tracts. BankCherokee has a 'Satisfactory' CRA rating and been active in financing minority woman-owned small businesses in the medical and grocery industries, as well as a women-owned business providing counseling and sober housing for women who have custody of children. BankCherokee requires all bank officers to serve with community organizations.

Adding these two banks to the List of Authorized Financial Institutions does not guarantee invest with them. Purchases are subject to available Council funding, further evaluation, and ongoing reporting commitments from the banks. It is anticipated that any purchases done with these banks will be for \$1-3 million each for approximately 1-year terms.



Rationale

The List of Authorized Financial Institutions is presented at least annually to inform and update the Council regarding its financial service relationships and obtain designation of official depositories as required by statute and policy. It is also be presented when new financial institutions are proposed to be added.

Thrive Lens Analysis

The List of Authorized Financial Institutions provides transparency around the Council's financial relationships and demonstrates **Stewardship** over the Council's financial resources and activities.

Funding

General banking, custody and credit card processing fees are funded within division budgets. There are typically no fees charged to the Council for Purchasing cards, payroll debit cards, and debit cards provided to housing program participants for utilities reimbursements. No commissions are paid to investment brokers. Hedging transaction fees are funded by Transit. Certificate of Deposit purchases are funded from the long-term investment portfolio.

Small Business Inclusion

There are no direct impacts to small business inclusion associated with the proposed action.



METROPOLITAN COUNCIL
2023 List of Authorized Financial Institutions
November 30, 2022

Banking Services (Designated Depositories)

U.S. Bank, N.A.
Wells Fargo Bank, N.A.

Card Providers and Processors

Authorize.net (bar code sales channel)
PayPal (Transit inventory sales via eBay)
Bank of America (purchasing credit card)
Elavon Inc. (credit card processing and managed payment processor)
Token Transit (Metro Transit Mobil App Ticket provider and payment product)
The Bancorp Bank, (VEBA HRA debit cards)
Total Administrative Services Corporation (TASC) (Benefits provider for flex payment administrator)
US Bank (payroll debit card and housing debit card)
US Bank (recognition cards)

Custodial, Trust, Escrow and Hedge Clearing Accounts

R.J. O'Brien (clearing account for fuel hedging)
State Street (OPEB portfolio execution & custody via SBI)
U.S. Bank Trust and Custody (custody, trust and escrow)
Principal Custody Solutions (custody, trust and escrow) (formerly Wells Fargo Institutional Trust)

Securities Broker/Dealers

FHN Financial Capital Markets
Piper Sandler
RBC Capital Markets
Robert W. Baird & Co.
U.S. Bank Money Center
Wells Fargo Securities, LLC.

Money Market Funds

First American Funds, Inc.
Goldman Sachs Asset Management
Morgan Stanley
Allspring Global Investments (formerly Wells Fargo Asset Management)

OPEB Trust

Public Employees Retirement Association (PERA)
Minnesota State Board of Investment (SBI)

Certificate of Deposit Program

Maple Bank
Drake Bank
Riverland Bank
First Resource Bank
21st Century Bank
Hi-way Federal Credit Union
Merchants Bank
Bremer Bank
PNC Bank
***BankCherokee**
***Sunrise Banks**

*proposed amendments with Business Item 2023-39.

