

DRAFT

INFRASTRUCTURE AND PUBLIC DEPOSITORY TASK FORCE

Meeting Minutes

November 30, 2017

Hearing Room 4, John A. Cherberg Building

Capitol Campus

MEMBERS PRESENT

Scott Merriman, Chair, Office of Financial Management
Shawn Myers, Office of the State Treasurer (in place of Brad Hendrickson)
Scott Nelson, Office of the State Auditor
Darwin Roberts, Deputy Attorney General
Sen. Angel
Sen. Patty Kuderer
Rep. Steve Kirby
Alan Crain, Kitsap Bank
Denise Portmann, Bank of the Pacific
Commissioner Kate Dean, Jefferson County
Becky Thompson, Washington Student Achievement Council
John Comerford
Yona Makowski
Rep. Mike Volz (on phone)
Jennifer Lawson, US Bank (on phone)
Bill Longbrake (on phone)

GUESTS PRESENT

Brenda Snyder, Office of the State Treasurer
Anthony Hemstad, Office of the State Treasurer
Rich Zwicker, Washington State Housing Finance Commission
Scott Hutsell, Public Works Board
Carne Tellefson, Washington Bankers Association
Trent House, Washington Bankers Association
Jeff Olsen, Senate Committee Services
Brad Tower, Community Bankers of Washington
Troy Nichols, Community Bankers of Washington
Emily Fitzgerald, Department of Financial Institutions
Catherine Mele-Hetter, Department of Financial Institutions
Sen. Bob Hasegawa
Jane Wall, Association of Washington Cities
Gregory McClure, INOE Local 612
Paula Sardinas, Northwest Credit Union Association (phone)
Krystelle Purkey, Northwest Credit Union Association (phone)
David Curtis, Northwest Credit Union Association (phone)

ANNOUNCEMENTS/INTRODUCTIONS

Chairman Merriman called the meeting to order at 11:06 am. He invited members to introduce themselves. All members were present either in person or on the phone. Shawn Myers assumed the place of Brad Hendrickson from the Office of the State Treasurer.

MINUTES

Scott Nelson moved to approve the minutes from the November 21, 2017 meeting. Commissioner Dean seconded. Sen. Angel abstained from voting as she was not in attendance. The minutes were unanimously approved.

DISCUSSION OF REPORT/RECOMMENDATION

Questions arose regarding how the final report and recommendations should be presented. The proviso was ambiguous regarding the approval process of the recommendations. Chair Merriman directed that now is the time to come to a series of recommendations.

Shawn Myers was requested to share the proposal from the Office of the State Treasurer. She shared that draft legislation is being worked internally and referenced the distributed handout which outlined OST's proposal. The proposal had two sections.

- a. Clearinghouse: a first stop for those seeking funds to be directed to the right source
- b. Lend Washington: revitalization of the Public Works Trust Program

The Office of the State Treasurer and the Office of Financial Management are working together to draft and finalize legislation.

Members asked Myers to address the Treasurer's stance of the public depository side. Myers stated that the Treasurer has reviewed the studies nationally and does not support a state bank at this time. It is better to wait and see the outcomes of the other studies before putting more money into further study. The current proposal addresses the financing needs heard throughout the meetings.

Discussion followed regarding OST's proposal. Several members addressed support for the idea of revitalizing the Public Works Trust Program and verbalized the need for protections of the funds moving forward.

Sen. Kuderer expressed that she appreciated the proposal but felt it did not address the depository piece. She shared that she strongly feels the need for a public depository to maximize the state resources. She suggested hiring private consultants to move forward in creating a business plan.

Sen. Angel stated that the task force has spent adequate time looking into the idea of a public depository and the creation of a bank is a huge undertaking. It makes more sense to adopt the Treasurer's proposal and revitalize what worked in the past.

Discussion continued with more members echoing views on each side. Myers expressed that the proposal is a solution in the immediate term to address the infrastructure needs today.

Discussion moved to the need for cannabis funding. A public depository would still not address the federal regulation issues surrounding cannabis.

Members moved to discussion of a public depository. Some members felt that there is clear need for a public depository while others expressed concern that there are still too many unanswered questions.

Rep. Kirby shared that this task force was created under a budget proviso that the House Democratic Caucus was never even briefed on. It was a surprise to the caucus staff and the Legislature got the budget so late. He reminded the group that work can continue on these ideas regardless of the determinations of the task force. There are bills sitting in committee that address some of these issues currently.

Chair Merriman opened the floor for public comment.

PUBLIC COMMENT

Sen. Hasegawa shared appreciation for the Treasurer's proposal but felt that it did not address the proviso's direction of looking at a public depository. He referenced Rep. Kirby's earlier comment about the budget proviso surprise stating that he believed that there was a majority of votes in the senate to hang on the budget bill as it came out. As for the public depository, Sen. Hasegawa sees it as a way of dealing in infrastructure needs both now in maintaining and as they grow. He believes a public depository can leverage the state's capacity and stimulate the economy. He also stated that the North Dakota Bankers Association was in favor of the North Dakota bank because they see it building economic opportunities for the communities. The smaller banks have the service leverage by having the Bank of North Dakota support them.

Jane Wall from the Association of Washington Cities shared that cities are likely supportive of the Treasurer's recommendation as they have been long supporters of the Public Works account and will continue to advocate for that program.

Brad Tower with Community Bankers of Washington also highlighted the Treasurer's proposal as a good solution. He referenced the earlier comment about the North Dakota Bankers Association. Tower has spoken with them and understands that the state bank occupies market space such as correspondence banking that is occupied by all the other banks in the nation. The Bank of North Dakota was created before FDIC insurance and under a different set of regulations. That model does not work for Washington state. Tower suggested actually speaking with the North Dakota Bankers Association if there are questions on their views of the Bank of North Dakota. The notion that a state bank would be formed by governmental entities and loaned to governmental agencies is high risk. He shared that there are specific regulations in the banking world that limits ability to loan to stakeholders. The idea of a public depository lending only to itself is a dangerous public policy in terms of concentration risk.

Scott Hutsell, Chair of the Public Works Board (PWB) shared that continuing the discussion of a public depository cannot hurt as they are always looking for user friendly, affordable and consistent infrastructure financing. The Public Works Board would like to discuss the Treasurer's recommendation further. The Infrastructure Assistance Coordinating Council (IACC) has been around for over 20 years. From the perspective of a county commissioner, Hutsell shared that it would be good to add the Treasurer's office to the PWB and change the board representation from interest based to skills based as proposed in HB 1677.

DISCUSSION/RECOMMENDATIONS

Merriman moved back to discussion amongst task force members for recommendations.

Yona Makowski recommended looking at the Treasurer's proposal as a short term recommendation and moving to establish a public depository as the long term recommendation.

Merriman provided a summary from members' comments including the idea of a short term and long term proposal. Revitalizing the Public Works account, providing a clearinghouse, adding the Treasurer to the PWB are all short term recommendations. The long term recommendation is the public depository aspect but there are issues to address. These issues include legal/constitutional, public agency interest, local governments willingness to participate, capitalization, governance, regulatory, business plan, lending program, political influence, security, IT security, competition with private sector banking, debt limits and impacts to debt limit, loan portfolio, impacts to State Treasury, cash flows, and impacts to budgets. Merriman suggested the committee offer a letter to the Legislature rather than draft legislation. Shawn Myers and Scott Merriman would jointly work on letter and submit to task force members for approval.

Discussion followed regarding wording of the letter with requests to outline the remaining questions in detail and if the consensus is for the long-term solution to be establishing a public depository or continuing to look at the merits of a public depository. There is no consensus as there are a wide variety of opinions.

Scott Nelson suggested that each member has the option to add their own statement to include in the final report due to the lack of consensus. No objection to this idea was given by the members.

Merriman directed that he will work with OST to draft a final report letter which will include the Treasurer's proposal as the short term solution and the continuation of discussion of a public depository as the long term recommendation. Task force members are invited to submit their own letters as attachments. He opened for a motion.

Nelson moved and Myers seconded. Discussion followed clarifying short and long term. Short means immediate and long means the continual work with both moving forward concurrently. The motion carried unanimously.

ADJOURNMENT

Commissioner Dean moved, Nelson seconded, meeting adjourned unanimously at 1:46 pm.

Respectfully submitted by:



Brenda Snyder, Recorder, Infrastructure and Public Depository Task Force
Office of the State Treasurer