MINUTES OF MEETING

STATE BOARD OF FINANCE

August 11, 2020

A meeting of the State Board of Finance of the State of Arkansas was held online using Zoom platform on Tuesday August 11, 2020 at 10:00 am, pursuant to notice duly given to each member of the Board by the Chairman. Zoom recording of meeting is available through the Treasurer of State’s office.

The following members were present:

Larry Walther, Secretary of Department of Finance and Administration

Dennis Milligan, Treasurer of State

Chad Brown, Governor’s Office

Andrea Lea, Auditor of State

Candace Franks, Arkansas Bank Commissioner

Eric Munson, Arkansas Securities Commissioner

Cale Turner, Appointed Member

Clay Conly, Appointed Member

Jim Bob Britton, Appointed Member

Keith Konecny, Appointed Member

Other present were Jason Brady, T.J. Fowler, Robert Romanik, Damon Dortch, Stacy Peterson, Celeste Gladden, Autumn Sanson, Gary Underwood, and Grant Wallace of the Treasurer’s staff, and Paul Louthian and Debbie Rogers of the Department of Finance and Administration. Chairman Walther, called the meeting to order with recognition of a quorum.

Minutes of the May 5, 2020 were approved as distributed.

Chairman Walther then recognized State Treasurer Dennis Milligan to present the Treasury Investment Performance report for the fourth quarter of fiscal year 2020. The report is included in the minutes as Attachment 1. Treasurer Milligan greeted the board and summarized some of the important information from the last quarter of fiscal year 2020, including the overall annual earnings. Treasurer Milligan spoke of the ongoing measures the Treasury had taken to invest in safe and secure investments, so that if needed, Treasury could provide efficient funding to agencies during the COVID-19 pandemic. Treasurer Milligan commended his staff for ongoing persistence and stability they have provided. Mr. Walther asked if there were any questions. Seeing no questions, Mr. Walther asked for a motion to approve the Treasurer’s report. The motion was made by Mr. Konecny and seconded by Mr. Britton. All members were in favor.

Mr. Walther then recognized Robert Romanik, Treasury Senior Investment Manager, to go over considerations to the State Treasury Investment Policy. The report and presentation are Attachment 2 to the minutes. Mr. Romanik explained the proposal of adding the Fitch Credit Rating as a substitute when one of the other rating agencies might not be available. Next, Mr. Romanik reviewed possible revision of the corporate investments. Mr. Walther called upon Paul Lothian to clarify changes in the policy regarding the posting of CD rates. Mr. Walther then asked for a motion to approve these changes. A motion was made by Auditor Lea and seconded by Commissioner Franks. All members were in favor.

Mr. Walther again recognized Mr. Romanik to present new broker/dealers added to the Treasury approved list. Two additional names were added, Amhearst Securities and TD Securities USA. Mr. Walther made a motion to add the additional brokers and Commissioner Franks seconded. All members were in favor.

Mr. Walther continued by reviewing quarterly motions. He first made a motion to the board that no funds were available for the State Board of Finance CD program. Commissioner Franks seconded the motion. All members were in favor.

Mr. Walther then made a motion that the Board direct the Treasurer of State to purchase warrants for the second quarter of fiscal year 2021, October 1, 2020 through December 31, 2020, pursuant to Act 1088 of 2013, and to keep reasonable amounts in demand deposit accounts and money markets during the next quarter for the transactions of the day-to-day activities of the State. The motion was seconded by Mrs. Franks, and all members were in favor.

Mr. Walther presented the annual motions to the board by asking for a motion to approve the record keeping system of the treasurer with the accounts recorded using the cash basis of accounting for daily transactions. He continued by explaining adjusting entries would be made at each fiscal year end to properly report the operating results of the Treasurer of State on an accrual basis of accounting to comply with generally accepted accounting principles. Mr. Walther asked for a second to these motions. Commissioner Franks seconded the motion. All members were in favor.

Mr. Walther’s next motion was the approval of the record keeping and reporting requirements of the Treasurer of the State to include at a minimum the following reports, Ledger Balance and Activity, daily and monthly, Fund Transactions by Type, daily and fiscal year to date, Checks Charged off detail by line item, daily and fiscal year to date. He continued with the following reports; inventory, trust fund certificates of deposit, collateral sufficiency, demand account balances, and money market balances daily and monthly, return on investment monthly and fiscal year to date. The motion was seconded by Commissioner Munson, and all members were in favor.

Mr. Walther asked for a motion to accept the current collateralization policy for the Treasurer of State’s office. The motion was seconded by Commissioner Franks, and all members were in favor.

The next motion presented by Mr. Walther was the Code of Ethics for the State Board of Finance, and the Code of Ethics and criminal background checks for the current employees of the State Treasury. The motion was seconded by Commissioner Franks, and all members were in favor.

The last annual motion made by Mr. Walther was to approve the minimum qualification and standards for all employees of the State Board of Finance and Treasurer of State who handle State Treasury funds or participate in decisions concerning the deposit or investment of State Treasury funds. The motion was seconded by Commissioner Franks. All members were in favor.

Mr. Walther recognized Autumn Sanson, Chief Compliance Officer, to update the board. Mrs. Sanson provided a brief update on the operations manual and the new internal software system, Clearwater. Mrs. Sanson stated that the new system was very beneficial, and many tasks will eliminate manual entry. Mrs. Sanson concluded by telling the board that she would continue working with the Treasury to document division operations. Mr. Walther asked for a motion to accept the report. A motion was made by Mr. Konecny and seconded by Commissioner Munson. All members were in favor.

Mr. Walther then asked if there was any additional business to come before the board, and hearing none he asked for a motion to adjourn. Commissioner Franks made a motion, and Mr. Conly seconded the motion. All members were in favor.