

**MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES**

**Agenda Item Summary Sheet**

**Committee:** Finance and Facilities

**Date of Meeting:** September 14, 2010

**Agenda Item:** Laws of 2010 – Local Bank Deposit Pilot

- Proposed Policy Change       Approvals Required by Policy       Other Approvals       Monitoring
- Information

**Cite policy requirement, or explain why item is on the Board agenda:** The purpose of this report is to provide an update on the progress of the local bank deposit pilot established by the legislature during the 2010 session.

**Scheduled Presenter(s):** Laura M. King, Vice Chancellor - Chief Financial Officer

**Outline of Key Points/Policy Issues:** The system sought institutions interested in participating in the bank deposit pilot. Five colleges and two universities indicated interest in participating. A request for proposal (RFP) was conducted and four responses were received. Currently the following institutions are negotiating final details and pursuing agreements with local community financial institutions: Bemidji State University; Northwest Technical College-Bemidji; and Minnesota West Community and Technical College.

**Background Information:** Minnesota Laws of 2010, Chapter 364, Section 33 provides that the Minnesota State Colleges and Universities will conduct a pilot for up to eight institutions for the deposit of reserve funds with community financial institutions to increase the distribution of potential economic benefits throughout the state.

**BOARD OF TRUSTEES  
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

**INFORMATION ITEM**

**Laws Of 2010 – Local Bank Deposit Pilot**

**BACKGROUND**

Minnesota Laws of 2010, Chapter 364, Section 33 provides that the Minnesota State Colleges and Universities will conduct a pilot for up to eight institutions for the deposit of reserve funds with community financial institutions to increase the distribution of potential economic benefits throughout the state. A community financial institution means a federally insured bank or credit union, chartered as a bank or credit union by the state of Minnesota or the United States, that is headquartered in Minnesota and that has no more than \$2.5 billion in assets.

Unless there are not sufficient applicants, two-year and four-year institutions must be selected to participate in the pilot project and the majority of the selected institutions must be located in greater Minnesota.

The pilot project shall provide for the transfer of deposits for no more than the period January 2, 2011, to December 31, 2012.

**Evaluation and report as required by law:**

“The commissioner of management and budget and the board of trustees shall independently evaluate the effectiveness or harm of the local deposit pilot project in increasing the use of community financial institutions and providing wider distribution of the economic benefit of the deposit of postsecondary reserves. Each evaluation must include the participating colleges, universities, and community financial institutions. The commissioner of management and budget and the board shall report on the pilot project evaluation to the appropriate committees of the legislature by February 1, 2013, with recommendations on the future implementation of the pilot project.”

The system sought institutions interested in participating in the pilot. Five colleges and two universities indicated interest in participating. As this was less than the maximum of eight stated in law all interested institutions were allowed to be in the pilot.

A Request for Proposal (RFP) was prepared by staff in the Office of the Chancellor with input from the participating institutions. The RFP required that the financial institutions response include:

- 1) Rate of return (terms and time frames).
- 2) Description of the evaluation and report that they would provide regarding the effectiveness of this local deposit pilot project.
- 3) Provide evidence of financial strength.
- 4) Provide all requirements set forth in the RFP.

### **REQUEST FOR PROPOSAL**

The following colleges and universities, and their respective campus locations, along with the amounts of budget reserve funds that could be deposited were included in the RFP issued on August 2, 2010 as listed below:

College: Minnesota West Community and Technical College \$2,100,000 (Canby, Granite Falls, Pipestone, Worthington, and Jackson)  
Hibbing Community College \$1,000,000 (Hibbing)  
Ridgewater College \$2,100,000 (Willmar and Hutchinson)  
Northwest Technical College - Bemidji \$600,000 (Bemidji)  
South Central College \$500,000 (Faribault and North Mankato)

University: Winona State University \$2,200,000 (Winona)  
Bemidji State University \$1,600,000 (Bemidji)

The following selection and implementation timeline was included in the RFP:

### **Selection and Implementation Timeline**

Monday, August 2, 2010	Publish RFP notice in <i>State Register</i>
Wednesday, August 18, 2010, 8:00 a.m. CST	Deadline for RFP proposal submissions
Wednesday-Friday, August 18-20, 2010	Review RFP proposals
Monday-Wednesday, August 23-25, 2010	Meet with top responder(s), if needed
Friday, August 27, 2010	Complete selection process
Friday, November 19, 2010	Deadline for executing contract

Individuals representing the banking interests were notified that the RFP was posted. Also participating colleges and universities contacted their local financial institutions to let them know of the posting.

### **REQUEST FOR PROPOSAL RESPONSES AND SELECTION**

Four RFP responses were received proposing to serve three colleges and one university. Two responses were rejected. One because the rate of return offered was lower than what is currently earned. The second rejection was because they did not provide information as requested in the RFP. It appears the number of responses was limited due to the ability

of banks to borrow from the Federal Reserve at a very low interest rate. Also, currently there is not a high demand for loans in many communities.

Currently the following institutions are negotiating final details with these community financial institutions:

Bemidji State University - Response received from Security Bank

Northwest Technical College-Bemidji – Response received from Security Bank

Minnesota West Community and Technical College – Response received from First State Bank

Potentially this will move \$4.3 million from the state treasury to the two selected community financial institutions in greater Minnesota. Both colleges and universities will be involved as directed by the legislative language.

Vice Chancellor King will review and sign the formal agreements once finalized with the participating institutions and the banks.

#### **NEXT STEPS**

Currently work is underway to draft legal agreements with each bank. Once that is completed, by December 1, 2010, the commissioner of Minnesota Management and Budget will be notified of the participating colleges and universities, the deposit amount for each institution, and the associated community financial institutions. The transfer of funds will be done on January 2, 2011.

*Date Presented to the Board: September 15, 2010*