

Core Banking Business System Renewal Project

A report to the Joint Legislative Committee on
Information Management and Technology



OREGON
STATE
TREASURY

February 25, 2022

Michael Kaplan, Deputy State Treasurer
Cora Parker, Director of Finance

“There shall be elected by the qualified electors of the State...[a] Treasurer of State....”

Oregon Constitution

“The State Treasurer is designated the sole banking and cash management officer for the state...”

ORS 293.875

What Does It Mean for State Government?

- ▶ Treasury provides banking services to all state agencies and most public universities
- ▶ All state accounts at financial institutions are owned by Treasury
- ▶ All payments to/from state agencies flow through Treasury
- ▶ Most of the state's operating funds (\$20B+/-) are invested by Treasury through the Oregon Short Term Fund

What Does It Mean for Local Government?

- ▶ All transfers between local governments and state agencies, including federal pass thru funds, flow through Treasury
- ▶ More than 1,000 local governments hold funds (\$11B+/-) in the Oregon Short Term Fund

What Does It Mean for Oregonians?

- ▲ All payments to/from state agencies flow through Treasury, including
 - ▲ Tax collections/refunds
 - ▲ Public benefit/insurance payments
 - ▲ Child support collections/payments
 - ▲ PERS benefit payments
 - ▲ Bonded debt payments
 - ▲ Vendor payments
 - ▲ State agency and most public university payroll

In **2020** Treasury Processed

31.3M Banking Transactions

Totaling **\$317B**

Cash Management Program

- ▶ Optimizes use of cash for state agencies, local governments, and certain public universities
- ▶ Provides physical and electronic banking products and services
- ▶ Protects public funds
- ▶ Ensures compliance with statutory, regulatory, and industry requirements
- ▶ Maintains and communicates financial information to stakeholders and customers (Core Banking Infrastructure)



Core Banking Infrastructure

- ▲ Demand Deposit Account System
 - ▲ Provides an account structure for transaction posting, balance and transaction reporting, interest and fee calculation and reporting, and general ledger accounting and reporting for all funds in the OSTF
 - ▲ State of Oregon's banking book of record
 - ▲ Purchased commercial-off-the-shelf system (Phoenix) in late 1990s
 - ▲ Internally supported day-to-day
 - ▲ Ongoing maintenance contract with external partners for updates, catastrophic support needs, etc.

Core Banking Infrastructure

- ▲ Middleware applications and processes
 - ▲ Support transaction entry, querying, and report creation
 - ▲ Accommodate Oregon-specific requirements
 - ▲ Internally developed primarily in late 1990s
 - ▲ Internally supported day-to-day
 - ▲ Internally supported for updates, catastrophic support needs, etc.

Core Banking Infrastructure

- ▲ Does NOT generate/facilitate payment transactions
- ▲ Rather, when transactions are created or received via other systems, the Core Banking infrastructure intakes related file data that updates accounts at Treasury
- ▲ Agency and public university customers generally do NOT interact directly with this infrastructure

Stage Gate – Origination

- ▲ Mid-2020 through CY 2022 Q4
 - ▲ Treasury remains at this stage
 - ▲ Purposeful decision to hold formal charter in order to focus on other in-flight projects and customer needs during initial pandemic period
 - ▲ Related RFI was issued in July 2020
 - ▲ RFI responses and ongoing security, stability, and strategy discussions have helped narrow planned approach with intent to focus primarily on two Phoenix-centric approaches

Stage Gate – Initiation

- ▲ Anticipated to begin CY 2022 Q4 or 2023 Q1
 - ▲ Formal charter, stakeholder definition, validate high-level objectives and major project risks, and designate appropriate project management and oversight actors
 - ▲ Funds may be necessary for project management, business analysis, or related activities, but Treasury does not anticipate requesting additional expenditure limitation during 2021-23 biennium
 - ▲ Anticipate remaining in Initiation stage through duration of 2021-23 biennium, with stage gate endorsement ideally by end of CY 2023 Q2

Stage Gate – Resource & Solution Analysis/Planning

- ▲ Anticipated to begin sometime after CY 2023 Q2
 - ▲ Relevant complexity and duration of this stage will be informed by ability to use Phoenix-centric approach or not
 - ▲ Stage gate endorsement could come as soon as CY 2023 Q3, but will be informed by relevant inputs, including dialogue with potential Phoenix-centric vendors during this and earlier stages

Stage Gate – Implementation Planning

- ▲ Could begin as soon as CY 2023 Q3 depending on prior stages
 - ▲ This is the point where funds authority may become necessary in order to enter final contract negotiation with a vendor(s)
 - ▲ Any funding requirements are anticipated to be significantly reduced from initial expectations if Phoenix-centric approach continues to be pursued

Stage Gate – Execution

- ▲ Defined by earlier stages, unlikely to begin before CY 2023 Q3
 - ▲ If Phoenix-centric approach is supported, one-time execution costs are anticipated to be minimal compared to original placeholder package
 - ▲ Depending on selected alternative, vendor-driven costs may be primarily limited to change in ongoing maintenance and administrative costs rather than significant one-time expenses
 - ▲ Additional costs will include those for project management, quality assurance/control activities, and assignment of internal personnel for project planning, implementation, and operational purposes

Wrap-up

- ▶ Intend to pursue a narrowed Phoenix-centric approach based on initial market responses, as well as security, stability, and strategic considerations
- ▶ Will remain in Origination and Initiation stages during remainder of current biennium
- ▶ Resource and Solution Analysis/Planning, Implementation Planning, and Execution stages during 2023-25 biennium (Execution may cross into next biennium)
- ▶ No additional limitation requests this biennium
- ▶ 2023-25 limitation requests anticipated to be less than original placeholder package



OREGON STATE TREASURY

Tobias Read
Oregon State Treasurer

350 Winter St NE, Suite 100
Salem, OR 97301-3896

oregon.gov/treasury