

Core Banking Business System Renewal Project

A report to the Joint Committee on Ways and Means
Subcommittee on General Government

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**OREGON
STATE
TREASURY**

“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





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