

MEMORANDUM

To: Banking Committee
From: Board Office
Subject: Modification of Institutional Banking Relationships
Date: November 5, 2001

Recommended Action:

Recommend the Board approve the list of financial institutions, subject to the limitations specified as to purpose and maximum amount, as detailed on the accompanying tables (pages 4 and 5).

Executive Summary:

Strategic Plan The Board's strategic plan, Key Result Area 4, requires the Board to exercise effective stewardship of institutional resources to maintain the confidence and support of the public in the utilization of existing financial resources. One area the Board monitors through its Banking Committee is modifications of institutional banking relationships.

**Iowa Code /
Regent
Procedural
Guide** Iowa Code §12C.2 requires the Board of Regents to approve financial institutions that serve as depositories. Regent Procedural Guide §7.34(H) states that proposed changes to banking relationships shall be reviewed by the Banking Committee and approved by the Board. The institutions are requesting Board approval of changes to the list of financial institutions.

**Proposed
Changes** The proposed changes are reflected in the tables on pages 4 and 5 and listed by institution as follows:

University of Iowa

The University is requesting that the maximum depository balance at Wells Fargo be increased from \$50,000,000 to \$75,000,000 due to the recent disruption in the financial markets that negatively impacted fund liquidity. The University doesn't expect to exceed the current maximum, however, if financial markets were disrupted again, this provides some flexibility to the University.

There is no deposit amount at the Wells Fargo Bank Iowa – Atlantic, therefore the University requests that the \$10,000 shown be deleted.

Iowa State University

The University is requesting that the maximum depository balance at Wells Fargo be increased from \$50,000,000 to \$75,000,000 due to the recent disruption in the financial markets that negatively impacted fund liquidity. The University doesn't expect to exceed the current maximum, however, if financial markets were disrupted again, this provides some flexibility to the University.

University of Northern Iowa

No changes requested.

Iowa School for the Deaf

The School uses Iowa State University for its investments and therefore requests an update changing Bank of America to Wells Fargo Bank – Des Moines to reflect the appropriate investment paying agent.

Iowa Braille and Sight Saving School

No changes requested.

Background and Analysis:

**Iowa Code /
Regent
Procedural
Guide**

Iowa Code §12C.2 requires Board approval of financial institutions as depositories. Approval must be entered by written resolution or order into the Board's minutes, distinctly naming the approved depository, as well as specifying the maximum amount which may be kept on deposit.

Depositories must be located within the state of Iowa, except as prescribed by law. The Regent institutions use banks outside the state for accounts established pursuant to bond issuances, as allowed by law, and controlled disbursement accounts. Controlled disbursement accounts carry negative or very small positive balances until the universities transfer funds from Iowa banks to bring the account balances back to zero.

Iowa Code §12B.10C requires agents for public funds custodial agreements to obtain security or documentation of ownership or title evidencing public funds investments. The Regent institutions maintain custodial agreements as required by law. Custodial agreements do not apply to public funds invested under provisions of bond resolutions or indentures, notes, certificates, warrants, or other evidences of indebtedness.

Iowa Code requirements are incorporated into the Regent Procedural Guide §7.34(H), which states that proposed changes to banking relationships shall be reviewed by the Banking Committee and approved by the Board.

**Banking
Relationships
Process**

Each Regent institution periodically reviews its banking relationship needs. Some banking relationships, such as primary relationships, are bid on a competitive basis. Other banking relationships are maintained and analyzed on an "as needed" basis.

The comprehensive listing of financial institutions utilized by the Regent institutions is reviewed by the Banking Committee and approved by the Board when changes are necessary. The Board last approved the listing of financial institutions at its February 2001 meeting.

**Board of Regents, State of Iowa
Financial Institutions
November 5, 2001**

<u>UNIVERSITY OF IOWA</u>	Maximum <u>Deposit</u>	<u>Location of Institution</u>	
		<u>Iowa</u>	<u>Outside Iowa</u>
Wells Fargo Bank Iowa – Des Moines (DDA) ¹	\$75,000,000	X	
Firststar Bank Iowa – Cedar Rapids (DDA)	20,000,000	X	
Firststar Bank – Iowa City (DDA)	20,000,000	X	
Iowa State Bank and Trust – Iowa City (DDA) ²	20,000,000	X	
Wells Fargo Bank Iowa – Atlantic ³		X	
Bank One – Chicago ⁴			X
Firststar Wisconsin ⁵			X
Wells Fargo Bank – Minnesota ⁶			X
Wells Fargo Bank Ohio – Van Wert ⁷			X

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- ¹ Includes various accounts required for bond issues, lockbox, and trust accounts for bond issues.
² Includes trust fund for Auditorium Defeasance bond issue.
³ Controlled disbursement account.
⁴ Trust fund for Human Biology Research Facility (HBRF) bonds.
⁵ Lockbox for UIHC – clearing account only.
⁶ Used for paying agent required by various bond resolutions, trust accounts for fund managers, and custodial accounts for University investments.
⁷ Controlled disbursement.

<u>IOWA STATE UNIVERSITY</u>	Maximum <u>Deposit</u>	<u>Location of Institution</u>	
		<u>Iowa</u>	<u>Outside Iowa</u>
Bankers Trust – Des Moines ⁸	\$75,000,000	X	
Wells Fargo Bank – Des Moines ⁹	20,000,000	X	
First National Bank – Ames	1,000,000	X	
Firststar Bank – Ames	1,000,000	X	
Chase Manhattan Bank Delaware ¹⁰			X
Wells Fargo Bank – Minnesota ¹¹			X

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- ⁸ Arbitrage rebate with concentration account, lockbox, and controlled disbursement added effective 7/1/97.
⁹ Paying agent.
¹⁰ Controlled disbursement.
¹¹ Paying agent.

**Board of Regents, State of Iowa
Financial Institutions (continued)
November 5, 2001**

<u>UNIVERSITY OF NORTHERN IOWA</u>	Maximum Deposit	<u>Location of Institution</u>	
		<u>Iowa</u>	<u>Outside Iowa</u>
Wells Fargo Bank Iowa – Cedar Falls (DDA Account) ¹²	\$20,000,000	X	
Union Planters Bank – Cedar Falls ¹³	20,000,000	X	
Firststar Bank Iowa – Cedar Falls (DDA Account)	8,000,000	X	
Wells Fargo Bank Iowa – Atlantic ¹⁴	10,000	X	
Bank of New York (St. Louis) ¹⁵			X
Wells Fargo Bank – Minnesota ¹⁶			X
Union Planters Bank – Goreville, Illinois ¹⁷			X

¹² Includes various accounts required by bond issues.

¹³ Includes various accounts required by bond issues.

¹⁴ Controlled disbursement.

¹⁵ Paying agent.

¹⁶ Used for trust accounts for fund managers and custodial accounts for University investments.

¹⁷ Controlled disbursement.

<u>IOWA SCHOOL FOR THE DEAF</u>	Maximum Deposit	<u>Location of Institution</u>	
		<u>Iowa</u>	<u>Outside Iowa</u>
Firststar Bank – Cedar Rapids	\$3,000,000	X	
Wells Fargo Bank – Des Moines ¹⁸		X	

¹⁸ Investment paying agent.

<u>IOWA BRAILLE AND SIGHT SAVING SCHOOL</u>	Maximum Deposit	<u>Location of Institution</u>	
		<u>Iowa</u>	<u>Outside Iowa</u>
Union Planters Bank	\$1,000,000	X	
Firststar Bank – Cedar Rapids	750,000	X	
Farmers Savings Bank and Trust – Vinton	200,000	X	