

OKLAHOMA INDUSTRIAL FINANCE AUTHORITY
REGULAR MEETING
AUGUST 31, 2022

The Directors of the Oklahoma Industrial Finance Authority held a Regular Meeting at 10:00 a.m. on Wednesday, August 31, 2022, in the Conference Room of the Oklahoma Industrial Finance Authority, 9220 North Kelley Avenue, Oklahoma City, Oklahoma.

The following members of the Authority were PRESENT:

Mr. Keith Ventris, Chairman
Mr. Bridge Cox, Vice Chairman
Mr. Pete Carey, Secretary-Treasurer
Mr. Hank Bradley, Member
Mr. Chris Condley, Member
Mr. D.R. Shipley, Member

The following members of the Authority were ABSENT:

Mr. Brent Kisling, Member
Mr. Randy McDaniel, non-voting member

Others attending the meeting were members of the Oklahoma Industrial Finance Authority staff and other guests representing firms doing business with OIFA, who are listed on the Attendance Register which is kept in the original meeting file.

ROLL CALL

Chairman Ventris called the meeting to order and requested a roll call from the Assistant Secretary, after which he declared a quorum present.

In response to a question by Chairman Ventris, it was reported that notice of the meeting of the Authority was filed in the office of the Oklahoma Secretary of State and public notice of this meeting was posted in prominent view at 9220 North Kelley Avenue, Oklahoma City, Oklahoma, twenty-four (24) hours prior to this meeting excluding Saturdays, Sundays, and legal holidays, all in compliance with the Oklahoma Open Meeting Act.

READING OF THE MINUTES

Reading of the minutes of the July 27, 2022, meeting was waived. Motion to approve the minutes was made by Mr. Shipley and was seconded by Mr. Cox. All members present voted AYE.

FINANCIAL REPORT

Ms. Dobbins reported that on pages 17 and 18 of the board packets are the financial statements for the month ending July 31, 2022. There were corrections that were passed out to the members, the corrections had to do with a formatting issue on the spreadsheet for the fiscal year. The interest is up 19% or \$12,000 from this time last year. This is due to the increase of loans that were placed on the books in the prior fiscal year. The interest expense remains flat at \$43,000 which results in the net interest income of \$36,000. The operating expenses are down 25% at \$15,000 leaving OIFA with a net income of \$21,000 to start the year. Ms. Dobbins made note that next month there will be a significant increase in bond interest expense, the quarterly rate changes on August 1st. The rate will move from 1.65% to 2.77% which will result in almost \$28,000 monthly increase.

Mr. Davis added that our cost of funds is prime based, so we are back now at the end of September looking like a high probability another 75 basis point rate increase. Mr. Davis stated that the OK Invest rate is projected at 1.40% for August and last month it was 1.32%. This is a tremendous negative arbitrage on excess liquidity. Last month Mr. Davis met with Treasurer McDaniel for about an hour. Mr. Davis kind of knew going in that he was not that optimistic about renegotiating these bonds. Two of these tranches were negotiated back in 2019. The third one we have held on and ultimately ended up renegotiating it in 2021. There were a couple of issues, the date he met with Treasurer McDaniel there was a fed meeting date we saw seventy-five basis points. Treasurer McDaniel felt like it was a little early to make any changes right now. The treasurer also has a great deal on his plate, he has about a \$13 billion investment portfolio; we are \$30 million of it. One of the things that Mr. Davis proposed that unlike other agencies that have their dollars setting over there that its their checkbook. It is hot money, and they need to make payroll, every two weeks, pay vendors, pay utilities, etc. We have excess liquidity that we could tie up for 2 to 3 years in some sort of laddered strategy. This is too much of a burden on the Treasurer's staff and efficiencies. Mr. Davis did not think the Treasurer is opposed to have conversations about it in the future, the problem is the future is getting narrow because he is not running, and we will have a new Treasurer in January. Mr. Davis added that he will reach out and make sure the new Treasurer knows OIFA and talk about the outstanding \$30 million in bonds that are in their portfolio. The staff cannot afford to sit around and wait. Historically, the OIFA has heavily invested its excess liquidity in SBA's which is kind of an elegant solution because the SBAs were prime based yield, so that it is somewhat matched with the cost of funds. This morning looked at SBA's that were prime minus 2.50 which would lock in a little bit of a spread. This is better than the negative arbitrage that we are going to have if we leave the cash. Ms. Davis is hopeful to get another opportunity to discuss with the Treasurer in probably February next year. He plans to move forward and look at SBA investments and moving some of that money.

Mr. Davis added that Jeremy and Melissa have done an incredible job in modeling out the balance sheets and the income statements with the scenario if they do nothing and the scenario if they pull some ODFA money and go through the US Treasury ladder strategy and OIFA SBA's. The do-nothing strategy does not look good. Mr. Davis added that it is not wide losses but its staff's fiduciary responsibility to do something. It may take a few months to get it all deployed, but Mr. Davis feels they will have a beneficial solution for the authorities once they get it worked out.

Mr. Cox made a motion to approve the financial report, as presented. Mr. Condley seconded the motion. All members present voted AYE.

PRESIDENT'S REPORT

Mr. Davis reported that the biggest amount of work was preparing for the conversation with the Oklahoma State Treasurer and modeling out all the different scenarios and trying to find the best scenario, which included doing the research and getting the brokerage accounts set up, to execute strategies on investing excess liquidity.

Mr. Davis then added that the OIFA audit work is ongoing. Right now, they are doing field work and they will likely be in the office soon. The audit is normally delivered in October to the Board. There is quite a bit of work that the staff will be doing and coordinating with the auditors, and we will receive a draft report and then we will start going through the review process.

Lastly, Mr. Davis requested that the Board form a subcommittee to look at compensation. The subcommittee would consist of three members. Mr. Davis would like the subcommittee to review the compensation and then report back to the Board in September. By forming the committee, it does not mean they will do anything, it just means that they might do something. Mr. Davis feels that it is good to look at this periodically, we are living in a period where we have not seen inflation this high in 40 years. Mr. Davis stated that he is getting out and he is seeing a lot of the OIEP manufacturers and one of them that he has been in business with are on their third increase trying to keep staff. Mr. Davis added that if it were the pleasure of the Board, he would like to request a subcommittee to review compensation that would report back in September and if so, they would probably need volunteers.

Ms. Batt from the Attorney General's Office recommended that the Chairman appoint members to the subcommittee. Chairman Ventris appointed Mr. Cox, Mr. Carey, and Mr. Shipley.

Mr. Davis stated that this concluded the President's report.

Mr. Davis announced that the next meeting is scheduled for September 28, 2022, and that this will be Mr. Condley's last meeting. We will send a save the date out to staff that has worked with him through the years. Mr. Bradley asked that we do a lunch after the meeting. Mr. Davis stated that we would have a luncheon.

ADJOURNMENT

Chairman Ventris asked if there was any further business. Mr. Shipley made a motion to adjourn the meeting. Mr. Cox seconded the motion. All members present voted AYE, and the meeting was adjourned.

These minutes officially approved and adoption this ____ day of _____, 2022.

Chairman

SEAL

Secretary