NORTHEAST OHIO AREAWIDE COORDINATING AGENCY

MEMORANDUM

TO: NOACA Board of Directors

FROM: Grace Gallucci, Executive Director

DATE: March 1, 2019

RE: Resolution 2019-11: Contingency Plan: Revolving Line of Credit

ACTION REQUESTED
The Board of Directors is asked to approve a Contingency Plan by authorizing the Executive Director to procure a revolving line of credit for no more than $1 million.

The Finance and Audit Committee recommended this action providing it is accompanied by a written policy that addresses implementation. The draft NOACA Revolving Line of Credit Policy is attached.

BACKGROUND/JUSTIFICATION FOR CURRENT ACTION
The majority of NOACA’s day to day funding comes from the Federal government. Federal Highway Administration (FHWA), Federal Transit Administration (FTA) and Federal Environmental Protection Agency (EPA) grants comprised 80% of the agency’s operating revenues in Fiscal Year 2018.

The agency relies on monthly reimbursements from these grants for its cash flow. Recently, the FTA and EPA did not release grant reimbursement funds until the government shutdown ended, which then negatively impacting cash flows. Federal highway funds were received but it is unclear how an extended government shutdown would affect those reimbursements.

A revolving line of credit would provide the agency with a back-up source of funding in the case of an extended government shutdown or any other unforeseen event that impairs liquidity.

The proposed draft policy addresses who can authorize the line of credit (the Executive Director), when it can be drawn down and by whom, when it should be repaid, and what account gets credited upon the draw down.

FINANCIAL IMPACT
Preliminary discussions with three banks have resulted in a potential one year line of credit with PNC Bank for $1 million with an option to renew annually for an estimated cost of $200 to $300, which is the cost of preparing documents.
CONCLUSION/NEXT STEPS
Pending Board approval, staff will work toward procuring the revolving line of credit subject to the implementation of the related draft NOACA Revolving Line of Credit Policy.

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NOACA Revolving Line of Credit Policy

PURPOSE
- The purpose of the revolving line of credit is to provide a contingency plan in the event of an extended federal government shutdown or other unusual or unexpected event that impairs liquidity.
- The Policy provides the Executive Director the ability to obtain the revolving line of credit based on the acceptability of the terms.

AUTHORIZATION
- The Executive Director can authorize the opening and closing of a revolving line of credit, which would preferably be from a commercial bank, in the amount not to exceed $1,000,000.
- If collateral is required to secure the revolving line of credit, the options for said collateral must be approved by the Finance and Audit Committee and Board of Directors.

DRAWDOWNS
- Drawdowns can only be executed when the Agency has inadequate liquidity for operating purposes (payroll and/or to pay vendors and contractors) where non-payment would be detrimental to the Agency.
- The amount of a drawdown must be limited to the amount required to meet the above-described obligations.
- Drawdowns require signatures of the following individuals:
  o NOACA Board President
  o Executive Director and
  o Comptroller
  (In the event that the Executive Director or Comptroller is not available, the Director of Administrative Services can serve as one of the signers.)
- The drawdowns can only be deposited electronically directly from the bank into the Agency’s primary checking account.
- The drawdowns shall not exceed $100,000 per week.

REPAYMENT
- The loan must be repaid within 5 business days to the extent possible once the replacement funds (grant or other reimbursements) have been received.
- The source of repayment is the grant reimbursement in the event of a Federal government shutdown.
RESOLUTION OF THE BOARD OF DIRECTORS
OF THE
NORTHEAST OHIO AREAWIDE COORDINATING AGENCY

WHEREAS, the Northeast Ohio Areawide Coordinating Agency (NOACA) is the Metropolitan Planning Organization (MPO) for the counties of Cuyahoga, Geauga, Lake, Lorain, and Medina, and the City of Cleveland; and the areawide water quality management agency for the same region; and

WHEREAS, the majority of the agency's funding comes from the Federal government with the Federal Highway Administration, the Federal Transit Administration, and the Federal Environmental Protection Agency providing 80% of its operating revenues in Fiscal Year 2018;

WHEREAS, NOACA relies on monthly reimbursements from its grantor agencies for its cash flow;

WHEREAS, during the recent Federal government shutdown, the Federal Transit Administration and the Federal Environmental Protection Agency did not release its grant reimbursements until the shutdown ended;

WHEREAS, it is unclear how an extended government shutdown would affect NOACA's reimbursements from the Federal Highway Administration;

WHEREAS, a Contingency Plan would authorize the Executive Director to procure a revolving line of credit from a commercial bank in an amount not to exceed $1 million in order to ensure adequate liquidity during an extended government shutdown or other unexpected event;

WHEREAS, the Finance and Audit Committee recommended that the authorization be accompanied by policies and procedures that safeguard the use of the line of credit which are attached; and

WHEREAS, NOACA's Executive Committee has recommended this resolution for adoption.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Northeast Ohio Areawide Coordinating Agency, consisting of forty-five principal officials serving general purpose local governments throughout and within the counties of Cuyahoga, Geauga, Lake, Lorain, and Medina that:

Section 1. The Executive Director is authorized to procure a revolving line of credit for an amount not to exceed $1 million to provide a contingency plan for NOACA; and

Section 2. The draft NOACA Revolving Line of Credit Policy is approved in conjunction with the authorization of a revolving line of credit.

Certified to be a true copy of a Resolution of the Northeast Ohio Areawide Coordinating Agency Board of Directors adopted this 8th day of March 2019.

Secretary: [Signature]

Date Signed: 3-8-2019