NORTHEAST OHIO AREAWIDE COORDINATING AGENCY

MEMORANDUM

TO: NOACA Board of Directors

FROM: Grace Gallucci, Executive Director

DATE: December 6, 2019

RE: Resolution 2019-048: PNC Bank Depository Agreement and Collateralized Line of Credit

ACTION REQUESTED
The Board of Directors is asked to approve Resolution 2019-048 which would authorize the Executive Director to sign a depository agreement with PNC Bank, National Association ("PNC Bank") and to approve collateral of local revenues and other charges for services on a revolving line of credit. The line of credit is pending PNC Bank credit approval.

BACKGROUND/JUSTIFICATION FOR CURRENT ACTION
The Board approved the procurement of a revolving line of credit and a related policy at the March 2019 Board meeting (Resolution 2019-011) following an extended Federal government shutdown (see attached policy). According to the policy, any collateral must be approved by the Finance and Audit Committee and the Board of Directors.

Currently, NOACA's bank accounts are with Citizens Bank, N.A. ("Citizens Bank") However, Citizens Bank was unable to offer NOACA a revolving line of credit. Consequently, NOACA issued an RFP for primary banking services and a revolving line of credit on June 5th, 2019. The July 6th deadline was extended to July 31st for those institutions expressing interest. The RFP was advertised on the agency's website and mailed to various area banks.

The only responding bank was PNC Bank, which has provided a term sheet for a revolving line of credit for $750,000 secured by local revenues and other charges. PNC Bank is a local institution with an outstanding CRA rating from the Office of the Comptroller of the Currency in 2018. The bank’s senior debt is rated as follows:

<table>
<thead>
<tr>
<th>Credit Rating</th>
<th>TD Ameritrade Version</th>
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<tbody>
<tr>
<td>Moody’s</td>
<td>A2</td>
</tr>
<tr>
<td>Standard and Poor’s</td>
<td>A</td>
</tr>
<tr>
<td>Fitch</td>
<td>A+</td>
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<tr>
<td>DBRS/Morningstar</td>
<td>AA (low)</td>
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PNC Bank is offering an earnings credit of 1.0% to offset the cost of their services and deposit collateral through the Ohio Pooled Collateral System in accordance with Section 135.182 of the Ohio Revised Code. PNC has qualified for 50% collateral but have agreed to collateralize NOACA deposits at 102%. The depository agreement and an amendment regarding collateral coverage are attached.

FINANCIAL IMPACT
The financial impact of changing bank depository accounts would be negligible monthly charges based on an earnings credit of 1.0% and the current schedule of fees for services. The cost of the revolving line of credit would be documentation fees under $1,000. The interest rate on any drawdowns would be LIBOR + 1.4%. LIBOR is the London Interbank Offered Rate and a common interest rate benchmark used for loans. At this writing the LIBOR rate is 1.96% so the rate on the borrowing would be 3.36%.

CONCLUSION/NEXT STEPS
With Board approval, staff will work toward transferring its primary bank accounts to PNC Bank contingent upon credit approval of the revolving line of credit by PNC Bank and determination of acceptable terms in the loan agreement by NOACA’s Executive Director.

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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:
  - NOACA Board President
  - Executive Director
  - 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.
DEPOSITORY AGREEMENT
(OHIO PUBLIC FUNDS)

THIS DEPOSITORY AGREEMENT is made by and between PNC BANK, NATIONAL ASSOCIATION, a national banking association under the laws of the United States, located and doing business within the State of Ohio ("Bank") and _________________________, a public body, chartered under the laws of the State of Ohio ("Depositor"). This Depository Agreement replaces all prior depository agreements between Bank and Depositor to the extent they are inconsistent with the provisions below. The Bank reserves the right to rescind this Agreement if the Depositor is not a public body, chartered under the laws of the State of Ohio.

1. Depositor, by proper action of its governing body, hereby designates Bank as a public depository for Depositor’s active, interim or inactive deposits during the period beginning on the later of the execution dates on this Depository Agreement and continuing until the Designation Date, defined below, as such date may be extended by the Depositor. This Agreement shall continue in effect until all accounts are closed pursuant to the documentation applicable to the accounts.

2. The Bank will receive funds for deposit from the Depositor and deposit said funds into the account(s) designated by the Depositor and agreed to by Bank. The Bank will furnish to the Depositor a monthly statement during any time that the Bank holds any active, interim or inactive deposits, showing the activity and balance of funds on deposit in any account for which such a statement is customarily issued.

3. The Bank is required by the laws of the State of Ohio to collateralize the uninsured public deposits of the Depositor and has elected to do so through the Ohio Pooled Collateral System (OPCS) as prescribed in section 135.182 of the Ohio Revised Code (ORC). The Bank currently collateralizes the Depositor’s funds at one hundred and five percent. Effective on or about December 31, 2017, the collateral floor rate will change to one hundred and two percent (102%). The Bank hereby notifies the Depositor that it will apply for a reduced collateral floor rate for public deposits under ORC Section 135.182(B)(1)(b) and the Treasurer will thereafter assign a new collateral floor rate. The Depositor will be notified of any changes to the collateral rate on its deposits on the OPCS portal. The parties acknowledge and agree that collateral rates are negotiable, subject to the collateral floor rate established by the Treasurer. The Bank may choose to exit the OPCS at any time upon notice to the Depositor. In the event of such notice, the Bank will separately collateralize the deposits in accordance with the ORC.

4. The Bank shall be required to furnish collateral to cover only those deposits that are in excess of the respective portions insured by the Federal Deposit Insurance Corporation, or any other corporation hereafter organized by the United States, the State of Ohio, or agency thereof for the purpose of insuring deposits, as calculated for collateral purposes by the Ohio State Treasurer.
5. The Depositor acknowledges and agrees that the OPCS requires the Bank to report the amount of public deposits and certain confidential information of the Depositor daily via a secure file transfer protocol (SFTP) connection to the Treasurer’s office. The Depositor agrees that the Bank has no responsibility for the Treasurer’s maintenance or use of this confidential information and the Depositor releases the Bank from any or all claims related thereto. The Depositor shall be responsible for reviewing and monitoring the reports posted on the OPCS portal, verifying the accuracy of the reports and reporting any discrepancies to the Bank.

6. Depositor agrees to be subject to the rules governing the accounts in which the Depositor’s active, interim and inactive deposits are deposited and to provide the Bank the names and signatures of those persons authorized to execute drafts on and make withdrawals from the account(s) and to provide documentation evidencing such authority as the Bank may request.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, intending to be bound thereby.

__________________________________________  PNC Bank, National Association

By: ____________________________  By: ____________________________

Title: ____________________________  Title: ____________________________

Date: ____________________________  Date: ____________________________

By signing above, Depositor certifies that PNC Bank, National Association has been designated a depository of the Depositor until ____________________ (“Designation Date”).
AMENDMENT TO DEPOSITORY AGREEMENT

(Ohio Public Funds)

This Amendment to Depository Agreement (the "Amendment") dated ___________________________ (the "Agreement") is made by and between PNC Bank, National Association, a national banking association under the laws of the United States, located and doing business within the State of Ohio ("Bank") and the Northeast Ohio Areawide Coordinating Agency, a public body, chartered under the laws of the State of Ohio ("Depositor").

For consideration, the receipt of sufficiency of which is hereby acknowledged, the Bank and Depositor agree to amend the Agreement as follows.

1. The Bank has been or may be approved for a reduced collateral floor rate for public deposits under ORC Section 135.182(B)(1)(b). Notwithstanding any such approval or any of the provisions of the Agreement, the Bank shall secure the Depositor's deposits at the rate of 102%. The Bank reserves the right to charge Depositor a fee to reflect the cost to the Bank of this increased collateral.

2. Except as specifically amended herein, the terms and conditions of the Agreement remain in full force and effect.

In Witness Whereof, the parties hereto have executing this Amendment intending to be bound thereby.

Depositor

By: _____________________________
Title: ___________________________
Date: ___________________________

PNC Bank, National Association

By: _____________________________
Title: Senior Vice President
Date: November 8, 2019
RESOLUTION OF THE BOARD OF DIRECTORS
OF THE
NORTHEAST OHIO AREA WIDE 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 areawide water quality management agency for the same region; and

WHEREAS, the Board approved the procurement of a revolving line of credit and an associated policy at the March 2019 Board meeting (Resolution 2019-011) following an extended Federal government shutdown (see attached policy) as a contingency plan. According to the policy, any collateral must be approved by the Finance and Audit Committee and the Board of Directors; and

WHEREAS, NOACA's bank accounts are with Citizens Bank, N.A. (“Citizens Bank”) but Citizens Bank was unable to offer NOACA a revolving line of credit; and

WHEREAS, NOACA issued an RFP for primary banking services and a revolving line of credit. The only bank that responded was PNC Bank which has indicated that they would offer NOACA a revolving line of credit for $750,000 secured by local revenues and other charges pending credit approval and a transfer of NOACA’s primary bank accounts to PNC Bank. The interest rate for drawdowns is LIBOR plus 1.4% and the cost of the revolving line of credit would be documentation fees under $1,000; and

WHEREAS, PNC Bank is a local institution with an outstanding CRA rating from the Office of the Comptroller of the Currency in 2018 and good to superior credit ratings from the rating agencies; and

WHEREAS, PNC Bank is offering an earnings credit of 1.0% to offset the cost of their deposit services and deposit collateral through the Ohio Pooled Collateral System in accordance with Section 135.182 of the Ohio Revised Code. The depository agreement and an amendment regarding collateral coverage are attached.

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

Section 1. The Executive Director is hereby authorized to sign Depository Agreement and Amendment To Depository Agreement with PNC Bank.

Section 2. The Executive Director is hereby authorized to use local revenues and other charges to secure a revolving line of credit with PNC Bank.

Certified to be a true copy of a Resolution of the Board of Directors of the Northeast Ohio Areawide Coordinating Agency adopted this 13th day of December 2019.

Secretary: John R. Hamerschlag

Date Signed: 12-13-2019