



Business Investment & Growth Program (BIG) Proposed Amendments to Regulation 5.105

December 16, 2020

Program Background

- Goal is to enhance local business lending by placing deposits in community banks headquartered in Prince George's County and Montgomery County
- Initiated in 2017 with a \$12 million WSSC Water Investment
- Subsequently enhanced program increasing deposit to more than \$15 million in 2019
- In 2020, the BIG Program was temporarily suspended due to reduction in interest rates & liquidity uncertainty

Eligibility Criteria per BIG Program Regulation 5.105

- Community bank that is owned and operated in Prince George's County and Montgomery County
- Headquarters in one of the two counties
- Assets > \$200 million and < \$10 billion
- Green or better Veribanc rating for financial security
- Not subject to an adverse agreement with a regulatory authority
- Must make and maintain business and/or commercial real estate loans in an aggregate amount of at least 200% of deposit and lend within 12 months of commitment by WSSC Water

Challenges for BIG Program

- Mergers reduce number of eligible participating banks
 - Revere Bank merged with Sandy Spring Bank – Asset size now over \$10 billion
 - Old Line Bank merged with WesBanco, Inc., a WVA based company
- Requirement to have headquarters in one of the two counties also limits participation
- Veribanc rating can drop to yellow in one quarter limiting pool of eligible banks
- Pandemic drives current interest rate formula based on US Treasury constant maturity less 12.5 basis points to zero or below zero
- Lack of minority owned bank participation

Proposed BIG Program Regulation Amendments

- Increase aggregate size of the community bank from <\$10 billion to < \$15 billion; remove aggregate size of community bank of > \$200 million
- Require a Green or better Veribanc rating in 3 of the last 4 quarters for financial security
- Require headquarters in Maryland with at least one branch or loan office in Prince George's County or Montgomery County
- Expand rates paid to include US Treasury bills rates with maturities of 13, 26 or 52 weeks as of a date to be selected
- Additional research is required to enable adding regional minority-owned banks headquartered in MD, DC or VA with at least one branch or office in Prince George's County or Montgomery County

Questions?









COMMISSION SUMMARY

AGENDA CATEGORY: Finance Office

ITEM NUMBER:

DATE: December 16, 2020

SUBJECT	Local Business Investment & Growth (BIG) Program - Proposed Amendments to Regulation 5.105
SUMMARY	Amendments are being proposed to the BIG Program to enable more banks to participate and to revise the interest rate formula.
SPECIAL COMMENTS	N/A
CONTRACT NO./ REFERENCE NO.	N/A
COSTS	N/A
AMENDMENT/ CHANGE ORDER NO. AMOUNT	N/A
MBE PARTICIPATION	N/A
PRIOR STAFF/ COMMITTEE REVIEW	Carla A. Reid, General Manager/CEO 
PRIOR STAFF/ COMMITTEE APPROVALS	Joseph F. Beach, Deputy General Manager for Administration  Patricia A. Colihan, Chief Financial Officer  Amanda Conn, General Counsel 
RECOMMENDATION TO COMMISSION	Approve amendments to BIG Program Regulation 5.105.

WSSC Code of Regulations

Title 5. Financial Management

Subtitle III. Investments and Loans

Chapter 5.105. Local Business Investment and Growth (BIG) Program

5.105.010 Purpose.

The goal of this program is to enhance and economically empower local business lending by placing deposits in community banks headquartered in [Prince George's and Montgomery Counties and] **MARYLAND THAT ARE** deemed safe and sound in order to generate jobs for the benefit of the residents in both counties, while providing the Washington Suburban Sanitary Commission (WSSC) with a competitive rate of return on those deposits, which will be covered by FDIC insurance.

5.105.020 Definitions.

In this chapter, the following terms have the meanings indicated:

(a) "Certificate of Deposit Account Registry Service (CDARS)" means a U.S. for-profit service that breaks up large deposits (from individuals, companies, nonprofits, public funds, etc.) and places them across a network of more than 3,000 banks and savings associations around the United States. [This allows depositors to deal with a single bank that participates in CDARS but avoid having funds above the Federal Deposit Insurance Corporation (FDIC) deposit insurance limits in any one bank. With the CDARS service, the customer's local bank sets the interest rate that will be paid on the entire deposit amount, and the customer gets one consolidated statement from that bank. The company that provides CDARS is the Promontory Interfinancial Network.]

(b) "Community bank" means a depository institution;

(1) that is [owned and] operated in Prince George's or Montgomery County[. Community banks tend to focus];

(2) **FOCUSED** on the needs of the businesses and families where the bank holds branches [and] **OR LOAN PRODUCTION** offices; **AND**

(3) THE AGGREGATE SIZE OF THE COMMUNITY BANK IS LESS THAN \$15 BILLION.

[Lending decisions are made by people who understand the local needs of families and businesses. Employees often reside within the communities they serve. The aggregate asset size of a community bank, according to the Federal Reserve Board and the Government Accountability Office is less than \$10 billion.]

(c) “LOAN PRODUCTION OFFICE” MEANS AN ADMINISTRATIVE DIVISION OF A BANK THAT IS FOCUSED SOLELY ON PROCESSING LOAN REQUESTS BUT DOES NOT RECEIVE DEPOSITS.

(D) “Local business” means:

(1) a company which provides goods or services to residents or businesses located in Prince George’s or Montgomery County; and

(2) is either a locally owned business (including a franchise) or a corporate branch operating within the two counties.

[(d)](E) “North American Industry Classification System (NAICS)” means the standard used by federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy.

5.105.030 Authority.

The local business and investment growth (BIG) program operates as part of WSSC’s investment portfolio and as such must be managed in conformance with federal, state, and other legal requirements, including the Local Government Article, § 17-205, Annotated Code of Maryland, and the State Finance and Procurement Article, § 6-222, Annotated Code of Maryland, which governs the investment of public funds.

5.105.040 Procedure.

(a) Eligibility Requirement.

(1) Community banks that maintain their headquarters in [Prince George’s or Montgomery County] **MARYLAND.**

(2) At the time of application to participate in the program, the bank must have assets [greater than \$200 million and] less than [\$10] **\$15** billion based on asset levels as reported in the most recent **FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL (FFIEC)** Call Report or **THRIFT**

FINANCIAL REPORT (TFR)[Report]. The most recent report will be supplied to WSSC by the bank with the acknowledgment form.

(3) Ratings must fall within the top rating categories as reported by the VERIBANC Rating System, i.e., the rating must be Green* or better **FOR THREE OF THE LAST FOUR QUARTERS**. [VERIBANC information with a sample report is attached to the standard procedure codified in this chapter as Exhibit A (<https://www.veribanc.com/RatingSystem.php>).]

(4) The bank must not be subject to any agreement with any regulatory agency.

(5) Participating banks will agree to make and maintain business loans and/or commercial real estate loans in an aggregate amount equal to at least 200 percent of the deposits placed in the bank by WSSC under the program. Eligible loans must be to businesses located within either or both Prince George's and Montgomery Counties and must be originated within 12 calendar months of the commitment by WSSC to the participating bank to make deposits under the program.

(b) *Administrative Process.*

(1) WSSC will communicate with all eligible banks, notify them of the BIG program, provide them with a copy of all documentation required by WSSC, respond fully to all questions from eligible banks, request a written indication of each eligible bank's intent to participate and request the execution of an acknowledgment to adhere to the program procedures set forth herein.

(2) The participation level of each bank will be based on the percentage of its capital to the total capital of all participating community banks. The allocation will be adjusted annually based on the data in the year end (December 31st) [Federal Financial Institutions Examination Council (FFIEC)] **FFIEC Call Report** or [Thrift Financial Report (TFR)] **TFR REPORT**.

(c) *Investment Process.*

(1) At the inception of the program, and upon execution of acknowledgments from all participating banks, WSSC will entertain an offer from all participating banks to accept Certificate of Deposit Account Registry Service (CDARS) certificate of deposits for various maturities.

(2) In no event can the yield offered by participating banks be inconsistent with WSSC's investment policy. WSSC will place deposits with the participating banks up to each bank's maximum participation level based on a total BIG program investment to be determined by the Chief Financial Officer (CFO) consistent with the WSSC investment policy.

(3) As the CDARS deposits mature, WSSC will renew the maturing deposits among the participating banks unless the liquidity needs of WSSC, as determined by the CFO, would require a reduction or suspension of this program.

(4)(I) Participating banks will agree that rates paid on the renewal CDARS of staggered maturities will be based on **THE UNITED STATES TREASURY BILL RATE WITH MATURITIES OF 13 WEEKS, 26 WEEKS, OR 52 WEEKS AS OF A DATE TO BE MUTUALLY AGREED TO BY THE PARTICIPATING BANKS AND WSSC OR** Monday's closing United States [(U.S.)] Treasury constant maturity rate [less 12.5 basis points]. For example, the rates would be the:

(i) Twenty-six-week CDARS rate: six-month U.S. Treasury constant maturity [less 12.5 basis points]; or

(ii) Fifty-two-week CDARS rate: 12-month U.S. Treasury constant maturity less [12.5 basis points].

(5) Rates paid to WSSC will be reevaluated on an annual basis.

(6) WSSC may consider expanding the amount invested in the BIG program based on liquidity needs, diversification of assets and institutions, investment return potential from other asset classes and other factors consistent with WSSC's investment policy.

(d) *Reporting Process.*

(1) On March 1st of each year of the BIG program, each participating bank will provide the following information to WSSC for the prior year:

(i) Total amount of WSSC deposits under the program for the prior year including the average balance for the year and the balance as of December 31st.

(ii) Total dollar value of Prince George's and Montgomery Counties business and/or commercial real estate loans held as of December 31st.

(iii) Total number and outstanding amount of such loans originated in the prior year as a result of the program.

(iv) For each loan, the bank will also report the location and the type of business. Business type to be identified by the two-digit North American Industry Classification System (NAICS) code.

(2) The WSSC Finance [Team] **DEPARTMENT** will use the data provided by the participating banks to produce an annual report documenting the performance of the BIG program from the prior calendar year including:

(i) Investment income earned from the investments.

(ii) Estimated jobs created in the local economy by the loans made from deposits.

(iii) Total amount of loans made to local businesses from BIG program deposits made over the prior calendar year.

(e) *Authority.* The General Counsel certifies that the statutory authority for the adoption of the standard procedure codified in this chapter is the Public Utilities Article, § 17-403(a)(1), Annotated Code of Maryland, and the Local Government Article, § 17-204, Annotated Code of Maryland.

Legal Review of Regulation

As requested, the following Regulation has been reviewed as required by Chapter 1.42 of the WSSC Manual of Standard Procedures:

WSSC Code of Regulations
Title 5. Financial Management
Subtitle III. Investments and Loans
Chapter 5.105. Local Business Investment and Growth (BIG) Program

1. Legal Sufficiency Review:

This Regulation has been reviewed and determined to be legally sufficient.

If not legally sufficient, details provided below:

N/A

2. Approval Authority

The Commission has authority to adopt this Regulation.



Amanda Stakem Conn
General Counsel



Date

Certificate Of Completion

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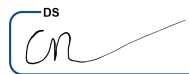
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