



COMMISSION SUMMARY

AGENDA CATEGORY: Finance Office

ITEM NUMBER:

DATE: May 19, 2021

SUBJECT	Local Business Investment & Growth (BIG) Program - Proposed Amendments to Regulation 5.105
SUMMARY	BIG Program amendments were initially proposed during the December Commission meeting to enable more banks to participate and to revise the interest rate formula. More research was required to enable participation by Minority-Owned Banks. Additional amendments now enable participation of Regional Minority-Owned Banks with headquarters in MD or DC and with at least one branch or loan office in Prince George's or Montgomery Counties.
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 DS CR
PRIOR STAFF/ COMMITTEE APPROVALS	Joseph F. Beach, Deputy General Manager for Administration DS JB Patricia A. Colihan, Chief Financial Officer DS PC Amanda Conn, General Counsel DS AC
RECOMMENDATION TO COMMISSION	Approve amendments to BIG Program Regulation 5.105.

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Business Investment & Growth Program (BIG)

May 19, 2021

Program Background

- Initiated in 2017 with a \$12 million WSSC Water Investment
- Goal is to enhance local business lending by placing deposits in community banks headquartered in Prince George's or Montgomery counties
- 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

- Community bank owned/operated in service area
- Headquarters in either Prince George's or Montgomery County
- 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 either of the two counties in an aggregate amount of at least 200% of deposit and lend within 12 months of commitment

BIG Program Results

Year	Deposits	Interest Earned	Loans Made	Jobs Created	Participating Banks
2017	\$12,000,000	\$92,000	\$24,000,000	171	Capital, Congressional, Columbo, EagleBank, Old Line, & Revere
2018	\$12,090,000	\$208,000	\$24,180,000	189	Capital, Congressional, Columbo, EagleBank, Old Line, & Revere
2019	\$15,286,000	\$379,000	\$30,572,000	265	Capital, Congressional, EagleBank, Old Line, & Revere
Total	\$39,376,000	\$679,000	\$78,752,000	625	

Challenges

- Mergers reduce number of eligible participating banks
 - Revere Bank merged with Sandy Spring Bank – Asset size now more than \$10 billion
 - Old Line Bank merged with WesBanco, Inc., a WVA based company
- Requirement to have headquarters in one of the two counties limits participation
- Veribanc rating can drop to yellow in one quarter limiting pool of eligible banks
- Economic conditions of COVID-19 have created volatility with interest rates that require greater flexibility
- Lack of Minority Owned Bank participation

Proposed 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 2 of the last 4 quarters for financial security
- Enable participation of Regional Minority-Owned Banks, require headquarters in Maryland or DC with at least one branch or loan office in Prince George's 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
- Allow greater flexibility in determining interest paid and deposit allocation

Newly Eligible & Participating Banks

Eligible Banks

Capitol
Congressional
Eagle Bank
Harbor
Industrial
Presidential
Sandy Spring

Participating Banks

Eagle Bank
Harbor
Industrial
Sandy Spring

Recent Activities

- Met with community banks: presented proposed BIG changes and received positive feedback
- Two minority banks attended the meeting and expressed interest in participating
- Presented proposed amendments to Executive Leadership Team (ELT) on April 26
- General Manager approved a waiver of the 40 days review period by ELT
- Amended regulation reviewed by General Counsel's Office

Next Steps

- Present amendments to Commission for consideration and approval
- Prepare 30-day public notification
- Send letter to community banks with revised regulation
- Place deposits
- Plan and schedule event with vendors and interested stakeholders



Questions?



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 MARYLAND OR THE DISTRICT OF COLUMBIA AND OPERATING** in Prince George's and Montgomery Counties **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 MARYLAND OR THE DISTRICT OF COLUMBIA AND HAVE A BRANCH OR LOAN PRODUCTION OFFICE** in Prince George’s or Montgomery County **ARE ELIGIBLE FOR THE BIG PROGRAM.**

(2)(I) At the time of application to participate in the **BIG** program, the **COMMUNITY** 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].

(II) 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 TWO 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] **MAY** not be subject to any agreement with any regulatory agency.

(5) (I) Participating banks will agree to make and maintain business loans [and/or], commercial real estate loans **OR BOTH** in an aggregate amount equal to at least 200 percent of the deposits placed in the bank by WSSC under the program.

(II) Eligible loans must be to businesses located within either or both Prince George's and Montgomery Counties and [must] **SHALL** 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.

(3) 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**.

(4) **WSSC FINANCE DEPARTMENT STAFF MAY MAKE ADJUSTMENTS TO THE ALLOCATION OF DEPOSITS BY PARTICIPATING BANKS CONSISTENT WITH THE ECONOMIC DEVELOPMENT GOALS OF THE PROGRAM.**

(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)(I) In no event can the yield offered by participating banks be inconsistent with WSSC's investment policy.

(II) 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].

(II) For example, the rates would be the:

[(i)] **1.** Twenty-six-week CDARS rate: six-month U.S. Treasury constant maturity [less 12.5 basis points]; or

[(ii)] **2.** Fifty-two-week CDARS rate: 12-month U.S. Treasury constant maturity [less 12.5 basis points].

(5) Rates paid to WSSC **MAY ALSO BE BASED ON A RATE MUTUALLY AGREED TO BY WSSC AND PARTICIPATING BANKS AND** 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) **ONE MONTH AFTER THE MATURITY OF A CDARS INVESTMENT** [On March 1st of each year of the BIG program,] each participating bank will provide the following information to WSSC for the prior [year] **SIX OR 12 MONTH PERIOD:**

(i) Total amount of WSSC deposits under the program [for the prior year] including the average balance [for the year] and the **ENDING** balance **AT MATURITY** [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.] **AT MATURITY;**

(iii) Total number and outstanding amount of such loans originated in the prior **SIX OR 12 MONTH PERIOD** [year] as a result of the program[.]; **AND**

(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[.]; **AND**

(iii) Total amount of loans made to local businesses from BIG program deposits made over the prior calendar year **BY BUSINESS TYPE ACCORDING TO NAICS CODE**

(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

May 7, 2021

WASHINGTON SUBURBAN SANITARY COMMISSION

SUBJECT: A RESOLUTION amending provisions of the Business Investment and Growth (“BIG”) Program under Title 5 of the Washington Suburban Sanitary Commission (“Commission”) Code of Regulations 2020.

WHEREAS: The Commission is authorized and empowered to adopt regulations pursuant to §17-403 of the Public Utilities Article of the Annotated Code of Maryland (“PUA”); and

WHEREAS: The Commission instituted the BIG Program in 2017 to assist community banks in providing capital to local businesses; and

WHEREAS: Since its inception, the Program has been successful in meeting the Commission’s objectives of supporting community banks, expanding capital for local businesses and generating competitive returns for WSSC Water; and

WHEREAS: The Commission desires to expand Program eligibility to community banks headquartered in all of Maryland and the District of Columbia with assets less than \$15 billion to allow greater community bank participation because of the challenges of bank consolidation and the expansion of participation generally would also allow more minority banks to participate; and

WHEREAS: Revisions to the current Regulations are required to achieve the above objectives.

NOW, THEREFORE, BE IT RESOLVED, this ____ day of May, 2021 that the Commission hereby adopts revisions to Chapter 5.105 of Title 5, Financial Management, Subtitle III, Investments and Loans, of the WSSC Code of Regulations; and

BE IT FURTHER RESOLVED, that these revisions shall be effective July 1, 2021; and

BE IT FURTHER RESOLVED, that notice of this resolution and the actions taken hereunder shall be published in at least one (1) newspaper in each county of the WSSD for thirty (30) days prior to the effective date.

A True Copy.

ATTEST:

Julianne MontesDeOca , Esq.
Corporate Secretary