



NORTHEAST OHIO AREAWIDE COORDINATING AGENCY

MEMORANDUM

TO: NOACA Board of Directors

FROM: Grace Gallucci, Executive Director

DATE: December 1, 2017

RE: **2017-042 – Vrooman Road Bridge Revised State Infrastructure Bank (SIB) Agreement**

ACTION REQUESTED

The Board is asked to authorize the Executive Director to execute a new SIB loan agreement for the existing Vrooman Road Bridge project.

The Finance and Audit Committee recommended this action.

BACKGROUND/JUSTIFICATION FOR CURRENT ACTION

The Ohio SIB was authorized by the Ohio State Legislature in 1996 for the purposes of funding highway, rail, transit, intermodal and other transportation facilities and projects. Assistance provided by the SIB is in the form of loans, loan guarantees, letters of credit, leases, interest rate subsidies, debt service, cash reserves, and other forms ODOT determines to be appropriate.

In October 2014 the Board of Directors approved the Executive Director to execute a SIB agreement and related documents for the Vrooman Road project, sponsored by the Lake County Engineer. The NOACA established funding maximum for the project was \$20,843,812, of which \$19,510,000 was available for principal and \$1,333,812 estimated for NOACA's share of interest. The project was advertised for bid and a contract was awarded on February 19, 2015 for \$18,312,611, with a subsequent SIB loan executed in this amount.

In December 2016, Lake County and the contractor, Ruhlin Company, entered into a mutual settlement agreement to terminate the contract over numerous disputes and claims related to the contract. A total of \$4,700,089 of the NOACA \$19,510,000 funding maximum and loan commitment of \$18,312,611 to principal was dispersed for work performed through the SFY, leaving a remainder of \$14,809,911 funding maximum and a \$13,612,522 of the loan principle available. A new project has been programmed by ODOT for the remainder of the work and is estimated to award to contract in January 2018. ODOT, in partnership with Lake County Engineer, will administer the rebidding for the new project and provide construction administration services. As such, the project cost is estimated to be \$1,197,389 higher than the original bid and SIB loan principle amount, but still within the original funding cap.

Furthermore, although the Board's current directive for loan financings is 10 years of repayments, the project sponsor requested the original SIB agreement schedule of 5 years to reduce additional interest costs. The

Finance and Audit Committee concurred that the new agreement reflect the same schedule, since it was approved prior to the current practice.

A new SIB agreement will be required to reflect the revised project cost, loan terms, and payment schedules. The Ohio Attorney General's Office, on behalf of ODOT, requires certified resolutions from the local sponsor and NOACA that authorize the execution and delivery of all documents and performance of the loan requirements thereunder, as applicable.

FINANCIAL IMPACT

NOACA will be financially responsible for the repayment of principal, interest, and administrative costs, up to the Board of Directors approved project funding cap, provided Lake County remains a member of NOACA. The loan will be repaid through bi-annual installments to the SIB drawn from the NOACA administered STBG funds that are apportioned annually to NOACA per federal transportation law. The proposed terms of the SIB agreement:

- Principal Amount - \$14,809,911
- Term of Loan – 6 years (1 year interest-free period)
- Repayment Schedule – Biannually (July and January of each year)
- Interest – 0% for first 12 months, 3% for months thereafter
- Initial Payment: 19th month after loan closing date
- Prepayment Penalty – 3% premium charged for any prepayment of the loan, in whole or in part, prior to the 36th month following closing

CONCLUSION/NEXT STEPS

Pending Board approval, the Executive Director will execute a new SIB agreement and related documents.

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**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 areawide water quality management agency for the same region; and

WHEREAS, as the MPO, NOACA develops and manages the Transportation Improvement Program (TIP) for the same region; and

WHEREAS, the Vrooman Road project (LAK VROOMAN RD BRIDGE: PID No. 5669), sponsored by the Lake County Engineer, as included in the state fiscal years (SFYs) 2014 - 2017 TIP, approved by the NOACA Board of Directors on May 10, 2013 via Resolution No. 2013-012; and

WHEREAS, the NOACA federal-aid share of the LAK VROOMAN RD BRIDGE project was listed in the TIP as being financed through a loan from the Ohio State Infrastructure Bank (SIB); and

WHEREAS, in October 2014 the Board of Directors approved the Executive Director to execute a SIB agreement and related documents for the LAK VROOMAN RD BRIDGE via Resolution 2014-040; and

WHEREAS, the Ohio SIB was authorized by the Ohio State Legislature in 1996 for the purposes of funding highway, rail, transit, intermodal and other transportation facilities and projects; and

WHEREAS, NOACA established funding maximum for the project was \$20,843,812, of which \$19,510,000 was available for principal and \$1,333,812 estimated for NOACA's share of interest; and

WHEREAS, the project was advertised for bid and a contract was awarded on February 19, 2015 for \$18,312,611, with a subsequent SIB loan executed in this amount; and

WHEREAS, in December 2016, Lake County and the contractor, Ruhlin Company, entered into a mutual settlement agreement to terminate the contract over numerous disputes and claims related to the contract; and

WHEREAS, a total of \$4,700,089 of the NOACA \$19,510,000 funding maximum and loan commitment of \$18,312,611 to principal was dispersed for work performed through the SFY, leaving a remainder of \$14,809,911 funding maximum and a \$13,612,522 of the loan principle available; and

WHEREAS, a new project has been programmed (PID No. 105029) and will be administered by ODOT for the remainder of the work with the project cost estimated to be \$1,197,389 higher than the original bid and SIB loan principle amount, but still within the original funding cap; and

WHEREAS, although the Board's current directive for loan financings is 10 years of repayments, the Finance and Audit Committee approved the sponsor's request of a 5 year repayment schedule to reduce additional interest costs since it was approved prior to the current practice; and

RESOLUTION 2017-042
(Vrooman Road Bridge Revised State
Infrastructure Bank (SIB) Agreement)

WHEREAS, the NOACA Board of Directors will be financially responsible for up to \$14,809,911 in principal plus associated loan interest and administrative costs in accordance with the SIB agreement terms; and

WHEREAS, loan security and payments from the NOACA Board of Directors will be in the form of Surface Transportation Block Grant (STBG) funds that are apportioned annually to NOACA per federal transportation law; and

WHEREAS, the loan will be repaid through bi-annual installments, each July and January, to the SIB drawn from the NOACA-attributable funding obligation authority; and

WHEREAS, the term of the loan is six years, with an initial payment on the 19th month after the date of loan closing and an estimated loan maturity date of July 1, 2025; and

WHEREAS, the interest rate is zero percent for the first 12 months and three percent for the remaining 60 month payback period; and

WHEREAS, the Lake County Board of Commissioners is required to sign the loan agreement, and coordinate the local financial share and perform other project sponsor activities.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Northeast Ohio Areawide Coordinating Agency, consisting of 45 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 authorized to execute an application and agreement with the Ohio State Infrastructure Bank for a loan to refinance the NOACA Board approved not-to exceed project funding maximum, including loan interest and administrative costs for LAK VROOMAN RD BRIDGE: PID No. 105029;

Section 2: Any application or agreement with the Ohio State Infrastructure Bank as contemplated by Section 1 of this resolution shall include a provision or provisions to protect NOACA by terminating NOACA's funding repayments under the loan agreement in the event and at such time as Lake County should cease to be a member of NOACA during the term of the loan.

Section 3: The Executive Director is authorized to transmit certified copies of this resolution to appropriate federal, state, and local agencies.

Certified to be a true copy of a Resolution of the Board of Directors of the Northeast Ohio Areawide Coordinating Agency adopted this 8th day of December 2017.

Secretary:  _____

Date Signed: 12/8/2017

