



# Nashville MTA Board Meeting

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March 26, 2020 | 2:30 p.m.

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## Board Members:

Gail Carr Williams, Chair  
Janet Miller, Vice Chair  
Glenn Farner  
Hannah Paramore Breen  
Walter Searcy

1. Call to Order
2. Operations & Finance Committee – Walter Searcy, Chair
  - General Banking & Revolving Line of Credit Renewal
3. Adjourn

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\* Please Note: There will be no public comment period this month \*

# Nashville Metropolitan Transit Authority

*of Nashville & Davidson County, Tennessee*

## Board Action Item

|              |  |               |            |
|--------------|--|---------------|------------|
| Item Number: | M-A-20-006   | Meeting Date: | 03/26/2020 |
| Item Title:  | General Banking and Revolving Line of Credit Renewal |               |            |

### BACKGROUND:

The Nashville Metropolitan Transit Authority (Nashville MTA) will once again need temporary operating fund assistance due to delays in receiving our FY2019 Section 5307 formula capital grant funding. The Nashville MTA converts a portion of the capital grant funding appropriation from capital to operating to pay preventive maintenance and paratransit operating costs. This is similar to what has happened in previous years. Last year, the Nashville MTA was authorized to borrow up to \$14 million through Fifth Third Bank. The Fifth Third credit facility has a term of one year and expires March 31, 2020, which is also the expiration date of its five-year contract.

The portion of our FY2020 Federal 5307 grant appropriation budgeted to be used for Nashville MTA operations is approximately \$18.7 million. Based upon these amounts, Nashville MTA's cash flow requirements anticipate needing to borrow up to \$14 million starting around April 1, 2020 through the month of June 2020 or beyond, depending on the timing of the federal funding. The loan will be repaid incrementally as the federal capital and operating funds become available. Historically, the loan has been completely repaid by December of the same year.

The current resolution Metro Council passed for the FY2020 budget authorizes the Nashville MTA to obtain short-term financing in an amount not to exceed \$15 million. We have requested Metro Finance increase the \$15 million to \$20 million in the new FY2021 budget ordinance resolution that will be considered by Metro Council before June 30, 2020. This will allow the Nashville MTA to have the ability to increase the line of credit limit for FY2021 in which our Federal 5307 grant appropriation budgeted to be used for Nashville MTA operations is approximately \$20.2 million.

We began working with Fifth Third in April 2015 when they were awarded a five-year contract for Nashville MTA's line of credit. The general banking services were awarded to U.S. Bank over that same five-year period. With the ensuing expiration of both contracts, we went out to bid in November 2019 for a five-year contract to award general banking services and the line of credit. The request for proposal (RFP) was structured to have each service evaluated separately where a bidder could be awarded one or both of the services, depending on the scoring.

We received bids from U.S. Bank, First Horizon Bank (formerly First Tennessee), and Fifth Third Bank. An evaluation committee reviewed all the bids, with U.S. Bank scoring highest for both the general banking and the line of credit facility. However, after going through the requirements for the line of credit with U.S. Bank, they determined that the bank could not enter into the line of credit. We approached First Horizon, who placed second in the evaluation for the line of credit, and they declined based upon requiring the general banking services as well in order to do the line of credit. Consequently, U.S. Bank is being recommended for the general banking services and Fifth Third for the line of credit. The terms of the banking services are approximately \$2,850 per month under the new contract compared to approximately \$3,000 in the expiring contract. The line of credit has an interest rate of LIBOR plus 1.65%, a quarterly non-use fee of .2%. The expiring facility from Fifth Third had a non-use fee of .2% and an interest rate of LIBOR plus 1.75%. While the RFP asked for a five-year contract for the line of credit, all three bidders explained that the line of credit would be a five-year contract with consistent rates but with annual renewals required due to banking industry rules.

One of the fees on the line is based upon a .2% charge for any unused portion of the line. In order to minimize that expense, Fifth Third has agreed to initially open the line at a minimum of \$14 million, which would be subject to the non-use fee. Should we need additional capacity, at the discretion of management, we would contact the

bank in writing to increase the line up to \$20 million in \$500,000 increments as needed. The term of the loan will be for one year and will expire March 31, 2021 due to banking rules. The interest rate on the line will stay the same through the five-year contract with the interest rate at LIBOR plus 1.65% and the non-use fee at .2%. These expenses have been included in the annual budget.

**RECOMMENDATION:**

We request the Board provide the Chief Executive Officer the authority to enter into contracts for general banking services with U.S. Bank and the line of credit facility through Fifth Third Bank to begin March 31, 2020. General banking services will cost approximately \$2,850 per month. Under the line of credit agreement, Nashville MTA can borrow up to \$14 million initially and increase up to \$20 million upon approval of Metro Government's Budget Ordinance for FY2021, which is expected no later than June 30, 2020. The term of the general banking and line of credit will be for five years, but the line of credit will need to be renewed annually due to banking rules. The interest rate of LIBOR plus 1.65% and a non-use fee of 0.2% will not change through five-year contract. The line of credit is to be used as needed and to be repaid as federal funding is received. This will allow Nashville MTA to continue operating and allow time for the grant monies to be received.

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**APPROVED:**

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*Board Secretary*

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*March 26, 2020*

*Date*