

RESOLUTION NO. 2002-171

AUTHORIZING CONTRACT NO. 2002-109 WITH J P MORGAN CHASE TO SERVE AS ESCROW AGENT FOR THE AUTHORITY'S DEPOSIT OF ESCROW RETAINAGE FUNDS FOR A FIVE YEAR PERIOD COMMENCING NOVEMBER 1, 2002.

WHEREAS, the proposal of J P Morgan Chase located on the second floor of Chase Tower Suite 220, 250 West Huron Road, Cleveland, Ohio 44112, was received on the 12th day of September 2002; and

WHEREAS, Ohio Revised Code Section 153.12 requires that the Authority withhold retainage on construction contracts, and Ohio Revised Code Section 153.63 requires that such withheld amounts be deposited in an escrow account; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the Greater Cleveland Regional Transit Authority, Cuyahoga County, Ohio.

Section 1. That the proposal submitted by J P Morgan Chase to serve as escrow agent, be and is hereby accepted as the most advantageous to the Authority, price and all other factors considered.

Section 2. That the General Manager of the Authority be and he is hereby authorized to enter into a contract with J P Morgan Chase for escrow agent services.

Section 3. That the said contract be consistent with the proposal of J P Morgan Chase dated September 12, 2002.


Section 4. That this contract shall be payable from interest earnings on the funds on deposit in the master escrow account.

Section 5. That the construction contract retainage money escrowed per O.R.C. 153.63 shall be deposited with J P Morgan Chase from time to time as required pursuant to contracts between the Greater Cleveland Regional Transit Authority and construction contractors, commencing November 1, 2002.

Section 6. That J P Morgan Chase shall serve as the Escrow Agent for the Greater Cleveland Regional Transit Authority's deposit of escrow retainage funds under construction contracts until November 1, 2007.

Section 7. That this resolution shall become effective immediately upon its adoption.

Adopted: October 15, 2002



President

Attest: 

CEO, General Manager/Secretary-Treasurer



I-2

TITLE/DESCRIPTION: AUTHORIZING CONTRACT NO. 2002-109 WITH J P MORGAN CHASE TO SERVE AS ESCROW AGENT FOR THE AUTHORITY'S DEPOSIT OF ESCROW RETAINAGE FUNDS FOR A FIVE YEAR PERIOD COMMENCING NOVEMBER 1, 2002.	Resolution No.: 2002- 171
	Date: October 11, 2002
	Initiator: Finance & Cash Management
ACTION REQUEST: <input checked="" type="checkbox"/> Approval <input type="checkbox"/> Review/Comment <input type="checkbox"/> Information Only <input type="checkbox"/> Other _____	

1.0 **PURPOSE/SCOPE:** This action will allow the Authority to enter into an Escrow Agent contract with J P Morgan Chase.

2.0 **DESCRIPTION/JUSTIFICATION:** Section 153.63 of the Ohio Revised Code requires that funds due to a construction contractor from the Authority be either paid to the contractor or deposited in an escrow account. The escrow is used to protect the statutory retainage withheld on construction contracts. This action will establish a master escrow account, with subsidiary accounts established for each individual construction contract.

J P Morgan will separately account for each construction contract's share of the total funds in escrow. Further, at the end of each month, J P Morgan Chase will prepare a master escrow statement for the Authority, which reconciles all activity in the master escrow account and subordinate escrow accounts. This is a continuation of a contract established by the Authority to assure compliance with state law regarding retainage. A cost price analysis was performed and the Procurement Department has determined the offer of J P Morgan Chase to be fair and reasonable.

3.0 **PROCUREMENT BACKGROUND:** Proposals were solicited from ten (10) banking institutions within the service area of the Authority. Two (2) responses to the RFP were received by the Authority, and were reviewed by an evaluation committee in accordance with the criteria set forth in the proposal. After negotiations, the proposal submitted by J P Morgan Chase was recommended. A cost price analysis was performed and the Procurement Department has determined the offer of J P Morgan Chase to be fair and reasonable.

4.0 **DBE/AFFIRMATIVE ACTION BACKGROUND:** All Affirmative Action requirements have been met. A 0% DBE goal was established for this procurement due to the lack of subcontracting opportunities.

5.0 **POLICY IMPACT:** Implementation of the master escrow agreement will continue the Authority's compliance with the Ohio Revised Code.

6.0 **ECONOMIC IMPACT:** This action is for administrative purposes only. All fees will be paid for out of interest earned on the escrow account. The Authority has no economic interest in these funds.

Fees for the escrow agent will be paid from interest earnings on the funds on deposit in the master escrow account. J P Morgan's proposal meets the requirements of the Ohio

Revised Code and allows flexibility for the Authority to ensure funds are available to pay contractors when construction contracts are complete.

- 7.0 ALTERNATIVES: Reject all proposals. Rejecting all proposals would result in the Authority not being in compliance with Ohio revised Code Section 153.63. Noncompliance has resulted in management comments by outside auditors in prior years.
- 8.0 RECOMMENDATION: It is recommended that the proposal of J P Morgan Chase be accepted and the resolution passed authorizing the General Manager to enter into an agreement.
- 9.0 ATTACHMENTS: None.

Recommended and certified as appropriate to the availability of funds, legal form and conformance with the Procurement requirements.

Joseph A. Calabrese
CEO, General Manager/Secretary-Treasurer
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