**Carolyn G. Goodman, Mayor (At-Large)**
**Brian Knudsen (Ward 1)**
**Victoria Seaman (Ward 2)**
**Olivia Diaz (Ward 3)**
**Stavros S. Anthony (Ward 4)**
**Cedric Crear (Ward 5)**
**Michele Fiore (Ward 6)**

**City Manager Scott Adams**
**City Attorney Bryan K. Scott**
**City Clerk LuAnn D. Holmes**

# City Council Agenda

Council Chambers · 495 South Main Street · Phone 702-229-6011
City of Las Vegas Internet Address: www.lasvegasnevada.gov

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Facilities are provided throughout City Hall for convenience of persons with disabilities. For meetings held in the Council Chambers, sound equipment is available for persons with hearing impairments. Reasonable efforts will be made to assist and accommodate persons with disabilities or impairments. If you need an accommodation to attend and participate in this meeting, please call the City Clerk's office at 702-229-6311 and advise of your need at least 48 hours in advance of the meeting. Dial 7-1-1 for Relay Nevada.

**July 8, 2020**
**9:00 AM**
**A lunch break may be taken at the discretion of the Mayor.**

Items listed on the agenda may be taken out of the order presented; two or more agenda items for consideration may be combined; and any item on the agenda may be removed or related discussion may be delayed at any time. Backup material for this agenda may be obtained from LuAnn D. Holmes, City Clerk, at the City Clerk's Office at 495 South Main Street, 2nd Floor or on the City's webpage at www.lasvegasnevada.gov.

The Mayor and City Council welcome your attendance, public comment related to the items on the agenda and citizen participation on items under the jurisdiction of the City Council at this meeting. If you wish to speak, we respectfully ask you to complete and submit a speaker card to the City Clerk. Cards are available online, in the Clerk's Office or at the front of the Chambers as you enter.

These proceedings are being video recorded as well as presented live on KCLV, Cable Channel 2, and are Closed Captioned for our hearing impaired viewers. Please note customers of Centurylink and Cox Communications can view this program in High Definition on Channel 1002. You can also watch this meeting live on Apple TV, Roku and Amazon Fire TV on the Go-Vegas app. The Council Meeting, as well as all other KCLV programming, can be viewed on the internet at www.kclv.tv/live. The proceedings will be rebroadcast on KCLV Channel 2 and the web the Wednesday of the meeting at 8:00 PM, and also on Friday at 4:00 AM, Saturday at 7:00 PM, Sunday at 7:00 AM and the following Monday at 5:00 PM.

Note: Cellular phones are to be turned off during the Council Meeting.

## CEREMONIAL MATTERS

1. Call to Order
2. Announcement Regarding: Compliance with Open Meeting Law
3. Invocation - Chaplain Victorya Campe, Messages of Faith Ministry
4. Pledge of Allegiance

## BUSINESS ITEMS - 9 A.M. SESSION

## PUBLIC COMMENT

5. Public comment during this portion of the Agenda must be limited to matters on the Agenda for action. If you wish to be heard, come to the podium and give your name for the record. The amount of discussion, as well as the amount of time any single speaker is allowed, may be limited.

## BUSINESS ITEMS - 9 A.M. Session

6. For Possible Action - Any items from the 9 a.m. session that the Council, staff and/or the applicant wish to be stricken, tabled, withdrawn or held in abeyance to a future meeting may be brought forward and acted upon at this time.

7. For possible action to approve the Final Minutes by reference of the June 3, 2020 Regular City Council Meeting

## CONSENT AGENDA

**Matters listed on the Consent Agenda are considered to be routine and have been recommended for approval by the Submitting Departments. All items on the Consent Agenda may be approved in a single motion. However, if a Council Member so requests, any consent item may be moved to the discussion portion of the agenda and other action, including postponement or denial of the item, may take place.**

## COMMUNITY SERVICES - CONSENT

8. For possible action to approve an allocation of $8,357,531 in Emergency Solutions Grant (ESG) CARES Act (ESG-CV) funds to the City of Las Vegas by the United States Department of Housing and Urban Development (HUD) to prevent, prepare for, and respond to the Coronavirus pandemic - All Wards

## FINANCE - PURCHASING AND CONTRACTS - CONSENT

9. For possible action to approve award of Bid No. 20.75681-JH (REV), Ogden Avenue - Main Street to Casino Center Boulevard, to the lowest responsive and responsible bidder - Department of Public Works - Award recommended to: LAS VEGAS PAVING CORPORATION ($5,000,000 - Road & Flood Capital Project Fund, Sanitation Enterprise Fund) - Ward 5 (Crear)

10. For possible action to approve award of Contract No. 200247-JH, Blanket Services Agreement for Operations and Maintenance Regional Flood Control District Annual Maintenance Engineering Design Services - Department of Operations and Maintenance - Award recommended to: WESTWOOD PROFESSIONAL SERVICES, INC. (Not-to-Exceed $150,000 Annually - Various Funds) - All Wards

11. For possible action to approve award of Contract No. 200250-PH, Wellness Coaching Services - Department of Human Resources - Award recommended to: 702 WELLNESS CONSULTING, LLC ($156,000 - Employee Benefit Internal Service Fund) - All Wards

12. For possible action to approve the ratification of award of Modification No. 3 to Contract No. 200213-DM, Professional Services Contract for COVID-19 Medical Staffing Services at the ISO-Q Complex located at 850 Las Vegas Boulevard - Department of Community Services - Award recommended to: NURSECORE MANAGEMENT SERVICES LLC dba NURSECORE LAS VEGAS ($62,005 - Special Programs Special Revenue Fund) - Ward 5 (Crear)

13. For possible action to approve award of Modification No. 4 to Contract No. 130062-CW PCard Services PNC Bank - Department of Finance - Award recommended to: PNC BANK, NATIONAL ASSOCIATION - All Wards

14. For possible action to approve award of Modification No. 2 to Contract No. 200126-JL, Smart City Service II, located in the area generally bounded by South Third Street to the East, West Boston Street to the South, Hinson Street to the West, and West Washington Avenue to the North - Department of Information Technologies - Award recommended to: NTT DATA, INC. (Not-to-Exceed $150,000 Annually - Traffic Improvements Capital Project Fund) - Wards 1, 3 and 5 (Knudsen, Diaz and Crear)

## FIRE AND RESCUE - CONSENT

15. For possible action to approve an Interlocal Agreement between the City of Las Vegas and the City of Henderson to transfer ownership of four (4) AreaRAE Pro Hazardous Materials (HazMat) Gas Detectors from the City of Henderson Fire Department to Las Vegas Fire & Rescue - All Wards

16. For possible action to approve ratification of the acceptance of a United States Department of Health and Human Services (HHS) award in the amount of $174,336.80 from the Coronavirus Aid, Relief and Economic Security (CARES) ACT funding to be used to offset healthcare-related expenses or lost Medicare revenue attributable to Coronavirus with no cost match required - All Wards

## MUNICIPAL COURT - CONSENT

17. For possible action to approve an Interlocal Agreement between Clark County, Nevada and the City of Las Vegas for the receipt of funds from the Department of Justice, Bureau of Justice Assistance, Edward Byrne Memorial Justice Assistance Grant (JAG) program for federal fiscal years 2018-2021 in the amount of $129,596 for Specialty Court treatment services - All Wards

## OPERATIONS AND MAINTENANCE - CONSENT

18. For possible action to approve a Log Cabin Common Element Drainage and Maintenance Agreement between the City of Las Vegas, D.R. Horton, Inc. and the Log Cabin Master Homeowners Association for drainage improvements for the subdivision units located at the northeast and northwest corners of Durango Drive and Log Cabin Way - Ward 6 (Fiore)

## PLANNING - BUSINESS LICENSING - CONSENT

19. For possible action to approve a Tavern License for a Change of Ownership FROM: LUCKY DRAGON HOTEL & CASINO, LLC TO: 300 WEST SAHARA, LLC dba AHERN HOTEL at 300 West Sahara Avenue - Ward 3 (Diaz)

20. For possible action to approve a Temporary Beer/Wine/Cooler On-Sale License KUCARA MAKARA, LLC dba KUCARA MACARA ICE CREAM at 4225 West Sahara Avenue - Ward 1 (Knudsen)

## PUBLIC WORKS - CONSENT

21. For possible action to approve Interlocal Contract 1184 between the City of Las Vegas (CLV) and the Regional Transportation Commission of Southern Nevada (RTC) to provide funding for engineering for the Utah Avenue, Industrial Road to 3rd Street Project ($1,250,000 - Road and Flood Capital Project Fund [CPF]) - Ward 3 (Diaz)

22. For possible action to approve Interlocal Contract 1182 between the City of Las Vegas (CLV) and the Regional Transportation Commission of Southern Nevada (RTC) to provide funding for construction for the Ogden Avenue, Main Street to Casino Center Boulevard Project ($6,000,000 - Road and Flood Capital Project Fund [CPF]) - Ward 5 (Crear)

23. For possible action to approve Interlocal Contract 1180 between the City of Las Vegas (CLV), County of Clark (County), and the Regional Transportation Commission of Southern Nevada (RTC) to provide funding for engineering for the Centennial Parkway, Alpine Ridge Way to Durango Drive Project ($2,250,000 - Road and Flood Capital Project Fund [CPF]) - Ward 6 (Fiore) and County

24. For possible action to approve Supplemental Interlocal Contract No. 1 - 1133a between the City of Las Vegas (CLV) and the Regional Transportation Commission of Southern Nevada (RTC) to increase project funding for the 6th Street, Bridger Avenue to Stewart Avenue Project ($30,000 - Road and Flood Capital Project Fund [CPF]) - Wards 3 and 5 (Diaz and Crear)

25. For possible action to approve Interlocal Contract 1183 between the City of Las Vegas (CLV) and the Regional Transportation Commission of Southern Nevada (RTC) to provide funding for the Pedestrian Bridges, CC-215 Beltway Trail at Summerlin Parkway and Lake Mead Boulevard Project ($1,300,000 - Parks and Leisure Activity Capital Project Fund [CPF]) - Wards 2 and 4 (Seaman and Anthony)

26. For possible action to approve Interlocal Agreement No. 126120-A between the City of Las Vegas (CLV) and the Las Vegas Valley Water District (LVVWD) to replace a water pipeline and appurtenances for the construction of water facilities in the CLV Charleston Maryland Storm Drain Project - Ward 3 (Diaz)

27. For possible action to approve Interlocal Agreement No. 116627-A between the City of Las Vegas (CLV) and the Las Vegas Valley Water District (LVVWD) to replace a water pipeline and appurtenances for the construction of water facilities in the CLV Shadow Lane Improvements Project - Ward 1 (Knudsen)

28. For possible action to approve Interlocal Contract 1181 between the City of Las Vegas (CLV) and the Regional Transportation Commission of Southern Nevada (RTC) to provide funding for engineering for the Charleston Boulevard, Maryland Parkway to Boulder Highway Project ($705,000 - Road and Flood Capital Project Fund [CPF]) - Ward 3 (Diaz)

29. For possible action to approve multi-agency Interlocal Contract 1187 between the City of Las Vegas (CLV), County of Clark (County), City of North Las Vegas (NLV), City of Henderson (Henderson) and the Regional Transportation Commission of Southern Nevada (RTC) to allow for network upgrades managed through the Freeway and Arterial Systems of Transportation (FAST) Department of RTC within agencies' jurisdictions - All Wards

30. For possible action to approve Interlocal Contract LAS29F20 between the City of Las Vegas and the Clark County Regional Flood Control District (CCRFCD) for construction of the Flamingo - Boulder Highway North, Charleston - Boulder Hwy to Maryland Pkwy and Maryland Pkwy System ($41,028,829 - Road and Flood Capital Project Fund [CPF]) - Wards 3 and 5 (Diaz and Crear)

## DISCUSSION/ACTION ITEMS

## ECONOMIC AND URBAN DEVELOPMENT - DISCUSSION

31. Discussion for possible action regarding authorization to purchase and/or condemn the property located at 513 South Main Street (APN 139-34-210-016) for the Downtown Central Plaza Project ($2,105,751- City Parkway V) - Ward 3 (Diaz)

## BOARDS AND COMMISSIONS - DISCUSSION

32. Discussion for possible action to elect Councilman Stavros Anthony to serve as the Mayor Pro-Tem

33. Discussion for possible action regarding new appointments of Mayor Carolyn Goodman and Councilmembers Brian Knudsen and Olivia Diaz as representatives on the following boards: Las Vegas Springs Preserve Board of Trustees (Knudsen); Las Vegas Global Economic Alliance (Goodman) and the Southern Nevada Regional Planning Coalition (Diaz)

34. Discussion for possible action regarding the appointment of nominee Valerie Brown to the Civil Service Board of Trustees

## RECOMMENDING COMMITTEE REPORT - DISCUSSION

## BILLS ELIGIBLE FOR ADOPTION AT THIS MEETING

35. Bill No. 2020-18 - For possible action - Amends LVMC 6.82.060, pertaining to smoking lounges, to update an age limitation to be more consistent with Federal law regarding tobacco sales. Proposed by: Robert Summerfield, Director of Planning

## NEW BILLS

**There is no public comment on these items and no action will be taken by the Council at this meeting, except those items which may be stricken or tabled. Public testimony takes place at the Recommending Committee Meeting held for that purpose.**

36. Bill No. 2020-20 - Authorizes, on a temporary basis, a partial waiver of the origination charge for new restaurant service bar licenses. Sponsored by: Councilwoman Victoria Seaman

37. Bill No. 2020-21 - Amends various provisions of the Unified Development Code to establish the circumstances under which on-premise signs with off-premise messaging are permitted in connection with certain non-restricted gaming establishments, commercial recreation/amusement establishments (indoor or outdoor), and convention facilities. Proposed by: Scott D. Adams, City Manager

## PLANNING

The items listed below, where appropriate, have been reviewed by the various City departments relative to the requirements for storm drainage and flood control, connection to sanitary sewer, traffic circulation, and Building and Fire regulations. Their comments and/or requirements have been incorporated into the action.

## PLANNING - CONSENT

PM Session – All items listed on the Consent Agenda are considered to be routine and have been recommended “for approval”. All items on the consent agenda may be approved in a single motion. However, if a Council Member so requests, any consent item may be moved to the Discussion portion of the agenda and other action, including postponement or denial of the item, may take place.

38. EOT-78792 - EXTENSION OF TIME - VARIANCE - APPLICANT/OWNER: NEVADA NEW BUILDS, LLC - For possible action on a request for the third Extension of Time of an approved Variance (VAR-53197) FOR A RESIDENTIAL ADJACENCY SETBACK OF 41 FEET WHERE 83 FEET IS REQUIRED on 2.29 acres located approximately 597 feet north of Washington Avenue on the east side of Sandhill Road (APN 140-30-601-006), R-3 (Medium Density Residential) Zone, Ward 3 (Diaz) [PRJ-78775]. Staff recommends APPROVAL.

39. EOT-78793 - EXTENSION OF TIME RELATED TO EOT-78792 - SITE DEVELOPMENT PLAN REVIEW - APPLICANT/OWNER: NEVADA NEW BUILDS, LLC - For possible action on a request for the third Extension of Time of an approved Site Development Plan Review (SDR-53040) FOR A PROPOSED TWO-STORY 40 UNIT APARTMENT COMPLEX on 2.29 acres located approximately 597 feet north of Washington Avenue on the east

side of Sandhill Road (APN 140-30-601-006), R-3 (Medium Density Residential) Zone, Ward 3 (Diaz) [PRJ-78775]. Staff recommends APPROVAL.

## PLANNING - DISCUSSION

40. SDR-78245 - ABEYANCE ITEM - SITE DEVELOPMENT PLAN REVIEW - PUBLIC HEARING - APPLICANT: MO CONSTRUCTION, LLC - OWNER: CVV, LLC - For possible action on a request for a Site Development Plan Review FOR A PROPOSED 3,855 SQUARE-FOOT COMMERCIAL BUILDING WITH DRIVE THROUGH WITH A WAIVER TO NOT ORIENT THE BUILDING TO THE CORNER WHERE SUCH IS REQUIRED AND TO ALLOW A WAIVER OF TITLE 19 LANDSCAPE BUFFER STANDARDS on 0.43 acres at 3801 West Charleston Boulevard (APN 162-06-501-002), C-1 (Limited Commercial) Zone, Ward 1 (Knudsen) [PRJ-78111]. The Planning Commission (6-0 vote) and Staff recommend DENIAL.

41. RQR-78424 - REQUIRED REVIEW - PUBLIC HEARING - APPLICANT: PLAZA HOTEL AND CASINO - OWNER: T-UPR II, LLC - For possible action on a Required Review of an approved Special Use Permit (SUP-76219) FOR A HORSE CORRAL OR STABLE (COMMERCIAL) USE at 222, 310, 324 and 432 South Main Street (APNs 139-34-201-003, 007 and 016; and 139-34-101-009), C-M (Commercial/Industrial) and M (Industrial) Zones, Ward 5 (Crear) [PRJ-78782]. Staff recommends APPROVAL.

42. EOT-78762 - EXTENSION OF TIME - NONCONFORMING - PUBLIC HEARING - APPLICANT/OWNER: 8TEA8 HOLDINGS, LLC - For possible action on a request for a fourth Extension of Time FOR A NONCONFORMING LIQUOR ESTABLISHMENT (TAVERN) at 808 West Lake Mead Boulevard (APNs 139-21-612-065 through 069), C-1 (Limited Commercial) Zone, Ward 5 (Crear). Staff recommends APPROVAL.

## REPORTS AND PRESENTATIONS

43. Report from Scott D. Adams, City Manager, on Emerging Issues - All Wards

## SET DATE

44. Set date on any appeals filed or required public hearings from the City Planning Commission Meetings and Dangerous Building or Nuisance/Litter Abatements.

## CITIZENS PARTICIPATION

45. Citizens Participation: Public comment during this portion of the agenda must be limited to matters within the jurisdiction of the City Council. No subject may be acted upon by the City Council unless that subject is on the agenda and is scheduled for action. If you wish to be heard, come to the podium and give your name for the record. The amount of discussion on any single subject, as well as the amount of time any single speaker is allowed, may be limited.

## COUNCIL MEMBER RECOGNITION

46. Council Member Recognition: Comments made by individual City Council Members during this portion of the agenda will not be acted upon by the City Council unless that subject is on the agenda and scheduled for action.

THIS MEETING WAS PROPERLY NOTICED AND POSTED AT THE FOLLOWING LOCATIONS IN ACCORDANCE WITH THE STATE OF NEVADA EXECUTIVE DEPARTMENT DECLARATION OF EMERGENCY DIRECTIVE 006

The City of Las Vegas Website – www.lasvegasnevada.gov

and

The Nevada Public Notice Website – notice.nv.gov

# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**1**

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**DEPARTMENT: City Clerk**
**DIRECTOR: LuAnn Holmes**

**SUBJECT:**
Call to Order

# *AGENDA SUMMARY PAGE*
**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**2**

**DEPARTMENT: City Clerk**
**DIRECTOR: LuAnn Holmes**

**SUBJECT:**
Announcement Regarding: Compliance with Open Meeting Law

# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**3**

**DEPARTMENT: City Clerk**
**DIRECTOR: LuAnn Holmes**

**SUBJECT:**
Invocation - Chaplain Victorya Campe, Messages of Faith Ministry

# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**4**

**DEPARTMENT: City Clerk**
**DIRECTOR: LuAnn Holmes**

**SUBJECT:**
Pledge of Allegiance

# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**5**

**DEPARTMENT: City Clerk**
**DIRECTOR: LuAnn Holmes**

**SUBJECT:**
Public comment during this portion of the Agenda must be limited to matters on the Agenda for action. If you wish to be heard, come to the podium and give your name for the record. The amount of discussion, as well as the amount of time any single speaker is allowed, may be limited.

# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**6**

**DEPARTMENT: City Clerk**
**DIRECTOR: LuAnn Holmes**

**SUBJECT:**
For Possible Action - Any items from the 9 a.m. session that the Council, staff and/or the applicant wish to be stricken, tabled, withdrawn or held in abeyance to a future meeting may be brought forward and acted upon at this time.

# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**7**

**DEPARTMENT: City Clerk**
**DIRECTOR: LuAnn Holmes**

**SUBJECT:**
For possible action to approve the Final Minutes by reference of the June 3, 2020 Regular City Council Meeting

# *AGENDA SUMMARY PAGE*
**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**8**

**DEPARTMENT: Community Services** **CONSENT**
**DIRECTOR: Kathi Thomas**

**SUBJECT:**
For possible action to approve an allocation of $8,357,531 in Emergency Solutions Grant (ESG) CARES Act (ESG-CV) funds to the City of Las Vegas by the United States Department of Housing and Urban Development (HUD) to prevent, prepare for, and respond to the Coronavirus pandemic - All Wards

**FISCAL IMPACT:**
None

**PURPOSE/BACKGROUND:**
The City of Las Vegas will utilize $8,357,531 of the United States Department of Housing and Urban Development (HUD) ESG CARES Act (ESG-CV) funds to prevent, prepare for, and respond to COVID-19.

**RECOMMENDATION:**
Staff recommends the Mayor and City Council to approve the second round of ESG-CV allocation and authorize the Mayor to execute any and all related agreements and documents required for the projects following approval as to form by the City Attorney. Staff also recommends the Director of Community Services be authorized to execute documents related to the award of unallocated funds and reprogram unspent funds in the event that funds are recaptured.

**BACKUP DOCUMENTATION:**
1. Summary of total ESG-CV2 Grant Allocations
2. City of Las Vegas Third Amended FY2019-2020 HUD Annual Action Plan

# ESG-CV2 PROGRAMMING AND SERVICES

| FUNDING | PROGRAM/SERVICES | WARD | ALLOCATION AMOUNT | DESCRIPTION | PRIORITY CATEGORY |
|---|---|---|---|---|---|
| ESG-CV2 | Rental Assistance | All Wards | $1,000,000 | Emergency rental assistance/housing relocation, stabilization services, and short-medium term rental assistance to prevent individuals and families from becoming homeless. | HOMELESS PREVENTION |
| ESG-CV2 | Emergency Shelter for Medically Fragile Guests | All Wards | $3,700,000 | Operate emergency shelter: Certified Nurse Assistants, Clinical Providers, Staffing and Operations | HOMELESS / DIRECT SERVICES |
| ESG-CV2 | Administration Building Rehab | Ward 5 | $250,000 | 1581 N Main Street Rehabilitation Project | HOMELESS/DIRECT SERVICES |
| ESG-CV2 | The Arrow | All Wards | $820,000 | The Arrow will provide regularly scheduled transportation, at no cost, for people experiencing homelessness. It is designed to help the homeless travel to and from organizations that provide essential services such as benefit services, health care, meals, shelter, and social services. | HOMELESS/DIRECT SERVICES |
| ESG-CV2 | Public Services | All Wards | $1,751,778 | Shelter partner operations - public service programming related to COVID-19 | HOMELESS/DIRECT SERVICES |
| ESG-CV2 | Administration Costs | | $835,753 | Staffing, programmatic requirements and supplies to administer COVID-19 related programs | HOMELESS/DIRECT SERVICES |
| | | **Total ESG Programming and Services** | **8,357,531** | | |




# City of Las Vegas
# Third Amended
# FY2019-2020 HUD Annual Action Plan

CITY OF LAS VEGAS
COMMUNITY
SERVICES

Prepared by the Office of Community Services May 2020

Amended Sections:

AP-05 Executive Summary
AP-15 Expected Resources
AP-20 Annual Goals and Objectives
AP-35 Projects
AP-85 Other Actions

The inclusion of CARES Act funding has been highlighted throughout the Plan

The amended Action Plan incorporates the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funds and how the City will use its CDBG-CV, ESG-CV, and HOPWA-CV to prevent, prepare for, and respond to COVID-19. In addition, it incorporates the second round of ESG CARES Act funding and how the City of Las Vegas will utilize those funds to prevent, prepare for, and respond to COVID-19.

# Executive Summary

## AP-05 Executive Summary - 24 CFR 91.200(c), 91.220(b)

### 1. Introduction

The City of Las Vegas is amending its 2019 - 2020 HUD Action Plan to include the utilization of funds received through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to prevent, prepare for, and respond to the coronavirus pandemic (COVID-19).

The City has received the following CARES Act funds: CDBG-CV $3,082,302.00, ESG-CV $1,537,579.00, HOPWA-CV $280,792.00, and a second round of ESG CARES Act funds in the amount of $8,357,531. HUD has provided the following flexibilities:

CDBG-CV: HUD is waiving the requirements at 42 U.S.C. 12705(a)(2) to the extent it requires updates to the housing and homeless needs assessment, housing market analysis, and strategic plan and 24 CFR 91.220 and 91.320 to the extent the action plan is limited to a specific program year to permit grantees to prepare substantial amendments to their most recent annual action plan, including their 2019 annual action plan. Also, HUD is waiving 24 CFR 91.505 to facilitate the use of CDBG-CV funds to the extent necessary to require submission of the substantial amendment to HUD for review under 24 CFR 91.500.

ESG-CV: HUD allows for certain flexibilities and conditions for use of these funds given the immediate needs faced by our communities: 1) The funds may be used to cover or reimburse allowable costs incurred by a State or locality before the award of funding (including prior to signing the CARES Act); 2) The funds are not subject to the spending cap on emergency shelter and outreach; 3) The funds are exempt from ESG Matching requirements; 4) The funds may be used to provide homelessness prevention assistance to any individual or family who does not have income higher that HUD's Very Low-

Income Limit for the area and meets criteria of the "at risk homelessness" definition in 24CFR 576.3; 5) Recipients may deviate from applicable procurement standards when using these funds to procure goods and services; 6) While HUD encourages offering of treatment and supportive services when necessary to assistant vulnerable homeless populations, individuals and families experiencing homelessness must not be required to receive treatment or perform any other prerequisite activities as a condition for receiving shelter, housing, or other services for which these funds are used, notwithstanding 24 CFR 576.401(e).

HOPWA-CV: Funds may be used as support to maintain operations and for rental assistance, supportive services, and other necessary actions. HUD has provided additional flexibility to program participants to prevent the spread of COVID-19 and to facilitate assistance to eligible communities and households economically impacted by the virus.

The submission of the Annual Action Plan meets the United States Department of Housing and Urban Development (HUD) requirements for consolidating several grant programs into one proposal. These programs include Community Development Block Grant (CDBG), Emergency Solutions Grant (ESG), HOME Investment Partnership Act (HOME), and Housing Opportunities for Persons with AIDS (HOPWA), and Lead Hazard Control and Healthy Homes. HUD released the 2019-2020 allocation amounts for CDBG, ESG, HOPWA, and HOME in May 2019.

- CDBG $5,074,650
- ESG $441,833
- HOME $2,019,021
- HOPWA $1,712,967

Besides, the City of Las Vegas (CLV) leverages funding to provide additional valuable services to our most vulnerable citizens, below are estimated 2019-2020 funding amounts which may change once State of Nevada allocations are announced:

- Low Income Housing Trust Fund (LIHTF) $922,150
- State HOME $408,025
- General Funds

In this proposal, the City of Las Vegas intends to describe its July 1, 2019 – June 30, 2020 initiatives for providing adequate housing and education, promoting safe and livable communities, and creating self-sustaining opportunities for the homeless, low and moderate-income households using the aforementioned aggregate funds.

## 2. Summarize the objectives and outcomes identified in the Plan

This could be a restatement of items or a table listed elsewhere in the plan or a reference to another location. It may also contain any essential items from the housing and homeless needs assessment, the housing market analysis or the strategic plan.

The City will use its allocation of CARES Act funds for eligible activities toward prevention, preparation, and response to COVID-19.

This could be a restatement of items or a table listed elsewhere in the plan or a reference to another location. It may also contain any essential items from the housing and homeless needs assessment, the housing market analysis or the strategic plan.

Our community outreach modalities and initiatives are multifaceted; all with the ultimate goal of reducing homelessness, providing adequate housing and education, promoting safe and livable communities, and creating self-sustaining opportunities for low and moderate-income households. The City of Las Vegas, along with its many community partners, intends on implementing the following strategies in order to achieve its objectives:

Neighborhood Revitalization

- Implement measures to prevent neighborhood blight
- Improve Neighborhood Empowerment
- Enhance Senior Services

Continuum of Care

- Develop partnerships to provide assessment, case management and job connections
- Bridge gaps in services for veterans, service members, and their families
- Connect released prisoners to community resources

Prevention and Reduction of Homelessness

- Expand access to homeless services and housing placement by filling existing service gaps in the City's urban core.

### 3. Evaluation of past performance

This is an evaluation of past performance that helped lead the grantee to choose its goals or projects.

This is an evaluation of past performance that helped lead the grantee to choose its goals or projects.

The full range of public services, HOME, and Lead Hazard Control and Healthy Home activities are priorities of the OCS FY19 Strategic Plan to Reduce Homelessness, Preserve Neighborhoods, and Improve Quality of Life.

In order to assess the efficacy in which OCS delivers those services through our community partnerships, OCS conducts onsite-monitoring visits, performs desk audits, and recently implemented an electronic performance metrics dashboard. These tools also assist the City in strengthening its community partnerships and facilitate technical assistance as necessary.

Public Services: The City's onsite-monitoring visits of its CDBG and HOPWA programs for the 2017-2018 highlighted the critical services our community partners provide to the City's most vulnerable citizens and the efficiency and effectiveness of carrying out those services. The City partnered with twenty-one CDBG and seven HOPWA subrecipients. Of the twenty-one CDBG recipients monitored, the monitoring team issued three findings. The findings addressed recordkeeping and intake requirements. The results of the HOPWA visits revealed the opportunity for greater collaboration with our agencies to improve health and housing management between Ryan White and HOPWA.

CDBG, HOPWA, and ESG subrecipients have an aggregate total, as of January 31, 2019, of 2,838 new clients, 1,274 existing enrollees, and 3,083 participants who either have exited or been discharged from the programs.

**HOME:** As previously mentioned, reducing homelessness is a City priority that requires adequate affordable housing. Currently the City of Las Vegas is considering two future projects, the rehabilitation of 125 units at 1720 Searles and the construction of 43 new units of affordable housing at 4445 Diamond Drive. OCS conducted onsite monitoring visits of its 41 projects which revealed excellent compliance with the exception of two. The monitoring team issued findings as a result using incorrect rent limits table and failure to renew leases upon expiration. Each recipient received recommendations as to how to resolve the findings.

**Lead Hazard Control and Healthy Home:** OCS is in its second program year of its Lead Hazard Control and Healthy Homes program and has completed multiple lead based paint hazard evaluations on several eligible properties, conducted extensive outreach, and hired a contractor for lead hazard construction.

### 4. Summary of Citizen Participation Process and consultation process

Summary from citizen participation section of plan.

HUD has waived the requirements for jurisdictions to follow its original Citizen Participation Plans in response to the immediate needs of the community. Correspondingly, the City has updated its Citizen Participation Plan to define "reasonable notice and opportunity" as it pertains to HUD's waiver of no less than 5 days for public comment for any substantial amendment related to COVID-19. Such amendments are time-limited to June 30, 2021. The updated Citizen Participation Plan and amended 2019-2020 HUD

Annual Action Plan were published for public comment from April 28, 2020, through May 3, 2020. Public comment for eligible activities utilizing the second round of ESG CARES Act funds will be from June 24, 2020 through June 29, 2020.

The City of Las Vegas follows its Citizen Participation Plan to provide all citizens the opportunity to participate in the planning, implementation, and assessment of the CDBG, ESG, HOPWA, and HOME programs. This process is led by the Community Development Recommending Board (CDRB) which is appointed by the City Council to obtain input from citizens in their respective wards. It is a committee of up to thirteen (13) members who review the applications, attend presentations the applicants and discuss recommendations for funding.

The grant selection process differed this year as the CDRB was installed to evaluate whether second-year funding would be granted to those agencies that applied and that were awarded a two-year grant in 2018. In addition to the participation of the CDRB, the evaluation and deliberation meeting agenda was advertised in accordance with Open Meeting Law and posted in various locations around the city and on the City of Las Vegas' website beginning on Tuesday, March 19, 2019, for the Tuesday, March 26, 2019 meeting. Agencies that did not meet their established performance measures were invited to address the CDRB and provide reasons for their performance. The meeting was open to all agencies and to all interested parties and was conducted in two adjoining handicapped accessible rooms in Las Vegas City Hall. Additionally, City Council voted to approve the CDRB recommendations in an open meeting held on May 15, 2019, which allowed for citizen participation.

On Monday, April 8, 2019, the City publicized the availability of the 2019-2020 Action Plan in the Las Vegas Review-Journal media outlet for comment. It included how the public could access the Action Plan. In addition, the City uploaded a copy on its website, provided hard copies upon request, and invited the public to submit their written comments to the Office of Community Services. The Public Review and Comment period ended Tuesday, May 14, 2019. The City held a subsequent public hearing at the June 5, 2020, City Council meeting.

**5. Summary of public comments**

This could be a brief narrative summary or reference an attached document from the Citizen Participation section of the Con Plan.

Regarding the FY 2019-2020 Amended Action Plan: The City of Las Vegas received one public comment that addressed the shortage of affordable housing and requested the City appropriate a percentage of its CARES Act and FY2020 funds and all of its unspent FY2019 funds towards the emergency construction of affordable housing units to house existing homeless and to prevent homeless *(See Attached).*

No public comments were received in regards to the FY 2019-2020 Action Plan.

## 6. Summary of comments or views not accepted and the reasons for not accepting them

One public comment was received during the posting period beginning April 28, 2020 (*See Attached)*

No public comments were received in regards to the FY 2019-2020 Action Plan.

## 7. Summary

The City is amending its HUD 2019-2020 Annual Action Plan and Citizen Participation Plan to include the use of its CARES Act CDBG-CV, ESG-CV, and HOPWA-CV distributions to prevent, prepare for, and respond to COVID-19. The amended plan includes, also, the second round of ESG CARES Act funds and how the City of Las Vegas will utilize its allocation in the prevention, preparation, and response to COVID-19.

The City's 2019-2020 Annual Action Plan describes the anticipated programs and services that will be provided during the year. These programs and services will address the following community needs: safe, suitable and affordable housing, safe and livable communities, community and individual enrichment and growth opportunities, and opportunities for low and moderate-income households. The program goals in the FY 2019-2020 Action Plan target community needs and focus on City Council priorities for addressing homelessness.

## PR-05 Lead & Responsible Agencies – 91.200(b)

### 1. Agency/entity responsible for preparing/administering the Consolidated Plan

Describe the agency/entity responsible for preparing the Consolidated Plan and those responsible for administration of each grant program and funding source.

| Agency Role | Name | Department/Agency |
|---|---|---|
| | | |
| CDBG Administrator | LAS VEGAS | Office of Community Services (OCS) |
| HOPWA Administrator | LAS VEGAS | Office of Community Services (OCS) |
| HOME Administrator | LAS VEGAS | Office of Community Services (OCS) |
| ESG Administrator | LAS VEGAS | Office of Community Services (OCS) |

**Table 1 – Responsible Agencies**

### Narrative (optional)

CLV, OCS is responsible for the administration of CDBG, ESG, HOME, and HOPWA programs in addition to other funding sources. It administers programs that align with City Council Priorities and community needs; as well as, partners with local agencies and jurisdictions to broaden the reach of programs and services accessible to Low/Mod income residents.

### Consolidated Plan Public Contact Information

Arcelia Barajas, Community Services Administrator

City of Las Vegas, Office of Community Services

495 S. Main Street

Las Vegas, Nevada 89101

## AP-10 Consultation – 91.100, 91.200(b), 91.215(l)

### 1. Introduction

The City of Las Vegas, Office of Community Services is a part of a multi-agency network whose mission is to address the special needs that plague our communities and eliminate homelessness. While the City's partnerships include participation in statewide outreach efforts, it also partners with non-profit organizations to provide invaluable and varied social services to low to moderate income residents, at risk youth, senior citizen advocacy, and homeless citizens using CDBG, ESG, HOME, and HOPWA Funds.

### Provide a concise summary of the jurisdiction's activities to enhance coordination between public and assisted housing providers and private and governmental health, mental health and service agencies (91.215(l))

In an effort to enhance coordination between public and assisted housing providers and private and governmental health, mental health and service agencies, the City of Las Vegas opened a Request for Qualifications for the building and operation of two health and wellness centers in Las Vegas. The process began with two meetings of Federally Qualified Health Centers (FQHC) representatives where subject matter experts in community health and other interested stakeholders convened to discuss the potentiality of launching health and wellness centers and to seek input on the project. The Request for Qualifications opened Monday, July 16, 2018 and closed Thursday, November 15, 2018.

In its effort to select a private partner for the health and wellness center, the City of Las Vegas hosted a review process for the applicants of the Health and Wellness Center funding on Tuesday, December 18, 2018. The panel included subject matter experts of the following fields: county government/social services; mental and behavioral health; facility building and rehabilitation; non-profit management, homelessness, and medical clinic programming and operations. Panel members were asked specific questions relative to the support of patients who are homeless, low and very low income as well as to the support of patients who have diagnosed and undiagnosed mental illnesses.

### Describe coordination with the Continuum of Care and efforts to address the needs of homeless persons (particularly chronically homeless individuals and families, families with children, veterans, and unaccompanied youth) and persons at risk of homelessness.

The City of Las Vegas coordinates with the Southern Nevada Homelessness Continuum of Care (SNH CoC) by requiring all of CLV ESG sub recipients to participate in the Homeless Management Information System (HMIS), per the HEARTH Act and the ESG and SNH CoC Interim Rules. Through the coordinated entry process, all persons experiencing homelessness in the SNH CoC are assessed for vulnerability/need, prioritized for housing/services on that basis, and matched/referred to appropriate homeless and mainstream resources. All sub recipients are required to assist homeless individuals and families to obtain other Federal State, local and private assistance available to assist the participants in

obtaining and maintaining housing stability, including but not limited to the following: Medicaid, SNAP, WIC, SSDC, SSI, TANF etc.

Although, Clark County Social Service provides the staff support for much of the activities of the SNH CoC. Such as yearly strategic planning, inclement weather shelter, Homeless Management Information System, and HEARTH ACT implementation and compliance. The SNH CoC is comprised of local stakeholders, including the City of Las Vegas. The City participates in the annual homeless census (Point-In-Time Count), identification of homeless issues and gaps in services, coordination of HUD entitlement funds, and the development and support of homeless services. City of Las Vegas staff also participates in several of the SNH CoC working groups on an ongoing basis to collaborate on regional efforts. The City specifically participates in the Evaluation Working group (EWG), which is responsible for leading efforts as it relates to funding priorities, collaborative application process, RFPs and evaluations associated with homeless efforts and ESG coordination.

**Describe consultation with the Continuum(s) of Care that serves the jurisdiction's area in determining how to allocate ESG funds, develop performance standards for and evaluate outcomes of projects and activities assisted by ESG funds, and develop funding, policies and procedures for the operation and administration of HMIS**

The City of Las Vegas is an active member of Southern Nevada's CoC Evaluation Committee. ESG is a standing item on the SNH CoC EWG monthly meeting agenda, where ESG grantees including the City of Las Vegas provide information on the allocation of ESG funds, discuss ESG application process, and develop written standards and reports on sub recipient monitoring. The SNH CoC EWG also reviews and approves the ESG written standards and HMIS administration policies. All ESG sub recipients are required to participate in HMIS and data gathered is shared with the SNH CoC. The City of Las Vegas in conjunction with other ESG grantees work with the SNH CoC to ensure collaboration, non-duplication of services and maximum use of resources.

**2. Describe Agencies, groups, organizations and others who participated in the process and describe the jurisdiction's consultations with housing, social service agencies and other entities**

**Table 2 – Agencies, groups, organizations who participated**

| | | |
|---|---|---|
| 1 | **Agency/Group/Organization** | SOUTHERN NEVADA REGIONAL HOUSING AUTHORITY |
| | **Agency/Group/Organization Type** | PHA |
| | **What section of the Plan was addressed by Consultation?** | Public Housing Needs |
| | **Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?** | The City of Las Vegas works with the Southern Nevada Regional Housing Authority to provide single family housing and to rehabilitate multi-family housing units through a continued partnership to increase the availability of affordable housing in the communities. |
| 2 | **Agency/Group/Organization** | Silver State Fair Housing Council |
| | **Agency/Group/Organization Type** | Service-Fair Housing |
| | **What section of the Plan was addressed by Consultation?** | Housing Need Assessment |
| | **Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?** | The City of Las Vegas has a continued partnership with Silver State Fair Housing to provide fair housing resources to City of Las Vegas residents. In addition it provides on-going training and education to city staff and community partners to ensure current guidelines and regulations pertaining to fair housing are being upheld. |
| 3 | **Agency/Group/Organization** | Ryan White Planning Council |
| | **Agency/Group/Organization Type** | Services-Persons with HIV/AIDS |
| | **What section of the Plan was addressed by Consultation?** | HOPWA Strategy |
| | **Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?** | The city has a seat on the Ryan White Planning Council. The planning council meets monthly to discuss opportunities for service enhancement and coordination among the HIV/AIDS continuum. |

| | | |
|---|---|---|
| 4 | **Agency/Group/Organization** | City of Las Vegas Homeless Advisory Committee |
| | **Agency/Group/Organization Type** | Services-homeless<br>Other government - Local |
| | **What section of the Plan was addressed by Consultation?** | Homeless Needs - Chronically homeless<br>Homeless Needs - Families with children<br>Homelessness Needs - Veterans<br>Homelessness Needs - Unaccompanied youth<br>Homelessness Strategy |
| | **Briefly describe how the Agency/Group/Organization was consulted. What are the anticipated outcomes of the consultation or areas for improved coordination?** | The City of Las Vegas Homeless Advisory Committee meets quarterly to discuss specific strategies to help address homelessness throughout the community, particularly to discuss and strategize regarding the specific issues which prevent individuals from obtaining services. |

**Identify any Agency Types not consulted and provide rationale for not consulting**

N/A

**Other local/regional/state/federal planning efforts considered when preparing the Plan**

| Name of Plan | Lead Organization | How do the goals of your Strategic Plan overlap with the goals of each plan? |
|---|---|---|
| Continuum of Care | Clark County, NV | The Southern Nevada Homelessness CoC Board is the official board acting on behalf of the CoC to take care of all related business requiring direction and/or formal actions and furthering the mission to end homelessness in Southern Nevada. The goals of the CoC to address homeless and the prevention of homeless are adopted in full by the City of Las Vegas. HYPERLINK: helphopehome.org/ |
| Community Services Strategic Business Plan | City of Las Vegas, Office of Community Services | This plan is updated annually to reflect the Office of Community Services' goals and measures for all its initiatives including homelessness, housing, and community and neighborhood revitalization. |
| HUNDRED Plan | City of Las Vegas | This plan was developed for the Westside Neighborhood and is a vital step in identifying the opportunities to link with the past and create a familiar bridge to the future. Presented within the Plan is a strong vision with practical projects, the stories of stakeholders and community members, improvement program ideas, and proposed regulation and zoning that together, will transform the Westside into a vibrant neighborhood. |
| Innovations in Education | City of Las Vegas | The City aspires to facilitate transformational change in a small group of 16 schools by coordinating efforts across multiple systems to achieve its overarching vision of Las Vegas schools in the impact zone to becoming a national model of school improvement and community engagement. |
| Las Vegas 2020 Master Plan | City of Las Vegas | The Master Plan provides in-depth policy direction for future land use decisions and related aspects of corporate planning in the city of Las Vegas as well as addresses housing, parks, and transit. |
| Reinvent Schools | City of Las Vegas | This program has been a beneficial resource in the community valuing and supporting boys and young men of color. It is about changing community conditions to ensure all young people reach their fullest potential. The ultimate result of empowering youth, investing in our shared future, and collective prosperity. |

| Name of Plan | Lead Organization | How do the goals of your Strategic Plan overlap with the goals of each plan? |
|---|---|---|
| So. NV Comprehensive Economic Development Strategy | Las Vegas Global Alliance (LVGEA) | The strategy is the result of a joint effort between LVGEA and over 300 stakeholders in Southern Nevada with the purpose of diversifying Southern Nevada's economy and laying the foundations for long-term economic stability. |
| So. NV Strong Regional Plan | Southern Nevada Strong | SNS is a collaborative regional planning effort funded by a $3.5MIL grant from HUD, DOT, and the EPA. Projects include comprehensive research and community engagement efforts to look at issues facing our community and propose collaborative solutions. The collaborative initiative worked to integrate housing, land use, economic and workforce development, transportation options, and infrastructure to support and empower local communities. HYPERLINK: sns.rtcsnv.com/ |
| So. NV Regional Housing Authority Plan | SNRHA | This plan spans FY2015-FY2019 and identifies the PHA's quantifiable goals and objectives that will enable the SNRHA to serve the needs of low-income, very low-income, and extremely low income families for the next five years; also including a report on their progress in meeting those goals and objectives. |

**Table 3 – Other local / regional / federal planning efforts**

### Narrative (optional)

## AP-12 Participation – 91.105, 91.200(c)

### 1. Summary of citizen participation process/Efforts made to broaden citizen participation
**Summarize citizen participation process and how it impacted goal-setting**

The City of Las Vegas published its substantial amendment for public comment to include its CARES Act funds and how they will support the City's efforts to prevent, prepare for, and respond to COVID-19.

The Community Development Recommending Board (CDRB) was established as a mechanism to support citizen participation in the allocation of federal (entitlement) funding to Las Vegas agencies that provide services to low, very low, and moderate income households. The CDRB is comprised of thirteen members selected by the Las Vegas Mayor and City Council and installed to represent the six wards and an all-inclusive area of the city. Additionally, the city wards that have a concentrated number of low, very low and moderate income households have a higher number of members on the Board to ensure the welfare of those targeted wards are addressed.

The grant selection process differed this year as the CDRB was installed to evaluate whether second-year funding would be granted to those agencies that applied and that were awarded a two-year grant in 2018. In addition to the participation of the CDRB, the evaluation and deliberation meeting agenda was advertised in accordance with Open Meeting Law and posted in various locations around the city and on the City of Las Vegas' website beginning on Tuesday, March 19, 2019 for the Tuesday, March 26, 2019 meeting. Agencies that did not meet their established performance measures were invited to address the CDRB and provide reasons for their performance. The meeting was open to all agencies and to all interested parties and was conducted in two adjoining handicapped accessible rooms in Las Vegas City Hall.

## Citizen Participation Outreach

| Sort Order | Mode of Outreach | Target of Outreach | Summary of response/attendance | Summary of comments received | Summary of comments not accepted and reasons | URL (If applicable) |
|---|---|---|---|---|---|---|
| 1 | Public Meeting | Non-targeted/broad community | | The City's Community Development Recommending Board recommended continued funding at 2018-2019 levels for each of the City's 32 partnering agencies. | | |
| 2 | Newspaper Ad | Non-targeted/broad community | | | | |

**Table 4 – Citizen Participation Outreach**

# Expected Resources

## AP-15 Expected Resources – 91.220(c)(1,2)

### Introduction

The City has received the following CARES Act allocations: CDBG-CV ($3,082,302), Round 1 of ESG-CV ($1,537,579), Round 2 of ESG CARES Act funds ($8,357,531) and HOPWA-CV ($280,792) supplemental funds to be used to prevent, prepare for, and respond to COVID-19. These funds were allocated through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

In order to receive HUD funding, the City of Las Vegas must develop and submit a Consolidated Plan every five years and an Annual Action Plan that addressed the city's anticipated use for federal funds. HUD announced the following allocations for FY 2019/2020:

- CDBG $5,074,650
- ESG $441,833
- HOME $2,019,021
- HOPWA $1,712,967

In addition, the City of Las Vegas (CLV) leverages funding to provide additional valuable services to our most vulnerable citizens, below are estimated 2019-2020 funding amounts which may change once State of Nevada allocations are announced:

- Low Income Housing Trust Fund (LIHTF) $922,150
- State HOME $408,025
- General Funds

In this proposal, the City of Las Vegas intends to describe its July 1, 2019 – June 30, 2020 initiatives for providing adequate housing and education, promoting safe and livable communities, and creating self-sustaining opportunities for the homeless, low and moderate income

households using the aforementioned aggregate funds.

## Anticipated Resources

| Program | Source of Funds | Uses of Funds | Expected Amount Available Year 1 | | | | Expected Amount Available Remainder of ConPlan $ | Narrative Description |
|---|---|---|---|---|---|---|---|---|
| | | | Annual Allocation: $ | Program Income: $ | Prior Year Resources: $ | Total: $ | | |
| CDBG | public - federal | Acquisition<br>Admin and Planning<br>Economic Development<br>Housing<br>Public Improvements<br>Public Services | 5,074,650 | 0 | 133,578 | 5,208,228 | 0 | These funds will be used to fund capital improvement projects as well as public service activities that directly benefit low to moderate-income residents. |
| HOME | public - federal | Acquisition<br>Homebuyer assistance<br>Homeowner rehab<br>Multifamily rental new construction<br>Multifamily rental rehab<br>New construction for ownership<br>TBRA | 2,019,021 | 0 | 0 | 2,019,021 | 0 | HOME funds are leveraged by State of Nevada HOME and Low Income Housing Trust Funds. They will be used to fund the development and retention of affordable housing units throughout the community. |

| Program | Source of Funds | Uses of Funds | Expected Amount Available Year 1 | | | | Expected Amount Available Remainder of ConPlan $ | Narrative Description |
|---|---|---|---|---|---|---|---|---|
| | | | Annual Allocation: $ | Program Income: $ | Prior Year Resources: $ | Total: $ | | |
| HOPWA | public - federal | Permanent housing in facilities<br>Permanent housing placement<br>Short term or transitional housing facilities<br>STRMU<br>Supportive services<br>TBRA | 1,712,967 | 0 | 0 | 1,712,967 | 0 | The City partners with its community agencies who use these funds to provide housing and supportive services to individuals living with HIV/AIDS. |

| Program | Source of Funds | Uses of Funds | Expected Amount Available Year 1 | | | | Expected Amount Available Remainder of ConPlan $ | Narrative Description |
|---|---|---|---|---|---|---|---|---|
| | | | Annual Allocation: $ | Program Income: $ | Prior Year Resources: $ | Total: $ | | |
| ESG | public - federal | Conversion and rehab for transitional housing<br>Financial Assistance<br>Overnight shelter<br>Rapid re-housing (rental assistance)<br>Rental Assistance Services<br>Transitional housing | 441,833 | 0 | 0 | 441,833 | 0 | The City partners with its community agencies by issuing funds to non-profit providers who deliver essential services and shelter to homeless families and individuals. Additionally, providers deliver rapid rehousing financial assistance and stabilization services to homeless families and individuals, and prevention services to families and individuals at risk of homelessness. |
| Other-CDBG-CV | public - federal | Other To prevent, prepare for, and respond to the Coronavirus | 3,082,302 | 0 | 0 | 3,082,302 | 0 | CDBG-CV funds to be used to prevent, prepare for, and respond to the Coronavirus. |
| Other ESG-CV | public - federal | Other To prevent, prepare for, and respond to the Coronavirus | 1,537,579 | 0 | 0 | 1,537,579 | 0 | ESG-CV funds to be used to prevent, prepare for, and respond to the Coronavirus. |

| Program | Source of Funds | Uses of Funds | Expected Amount Available Year 1 | | | | Expected Amount Available Remainder of ConPlan $ | Narrative Description |
|---|---|---|---|---|---|---|---|---|
| | | | Annual Allocation: $ | Program Income: $ | Prior Year Resources: $ | Total: $ | | |
| Other HOPWA-CV | public - federal | Other To prevent, prepare for, and respond to the Coronavirus | 280,792 | 0 | 0 | 280,792 | 0 | HOPWA-CV funds to be used to prevent, prepare for and respond to the Coronavirus. |
| Other ESG CARES Act | public - federal | Other To prevent, prepare for, and respond to the Coronavirus | 8,357,531 | 0 | 0 | 8,357,351 | 0 | The second round of ESG CARES Act funds will augment the City's existing efforts to prevent, prepare for, and respond to the Coronavirus. |

| Program | Source of Funds | Uses of Funds | Expected Amount Available Year 1 | | | | Expected Amount Available Remainder of ConPlan $ | Narrative Description |
|---|---|---|---|---|---|---|---|---|
| | | | Annual Allocation: $ | Program Income: $ | Prior Year Resources: $ | Total: $ | | |
| Other | public - state | Acquisition<br>Conversion and rehab for transitional housing<br>Housing<br>Multifamily rental new construction<br>Multifamily rental rehab<br>Permanent housing in facilities<br>Rental Assistance<br>Short term or transitional housing facilities<br>TBRA<br>Transitional housing | 408,025 | 0 | 0 | 408,025 | 0 | The State allocates a portion of their HOME funds to the City of Las Vegas which plans to use the allocation toward affordable housing projects. |

| Program | Source of Funds | Uses of Funds | Expected Amount Available Year 1 | | | | Expected Amount Available Remainder of ConPlan $ | Narrative Description |
|---|---|---|---|---|---|---|---|---|
| | | | Annual Allocation: $ | Program Income: $ | Prior Year Resources: $ | Total: $ | | |
| Other | public - state | Acquisition<br>Conversion and rehab for transitional housing<br>Housing<br>Multifamily rental new construction<br>Multifamily rental rehab<br>Permanent housing in facilities<br>TBRA<br>Transitional housing | 912,315 | 0 | 0 | 912,315 | 0 | These non-federal funds are received from the State of Nevada for use as HOME match and will be used toward affordable housing initiatives. Expected amount is :$922,150 |

**Table 5 - Expected Resources – Priority Table**

## Explain how federal funds will leverage those additional resources (private, state and local funds), including a description of how matching requirements will be satisfied

The City is committed to supporting sustainability and affordability in our neighborhoods. During this FY the City has committed over 1 Million in general fund money to support the city-funded MORE Teams who provide daily outreach in the community and connect homeless individuals to immediate services. The city also committed over 2 Million in Redevelopment Set-Aside funding through the Office of Community Services to support initiatives that serve homeless individuals through case management, workforce development, and bridge and transitional housing. In

addition, the City has raised over $100,000 through the Mayor's Fund to pay for workforce development and the Ticket to Home Program that allows homeless individuals the opportunity to reunite with family members in other states who are willing and able to support them as they become independent. Lastly, the City satisfies matching requirements for the HOME Investment Partnership Program by leveraging State and Private Activity Bond dollars to HOME Projects; and ESG matching requirements are passed on to the awarded agencies and monitored during monthly requests for funds and/or annual compliance audits.

### If appropriate, describe publically owned land or property located within the jurisdiction that may be used to address the needs identified in the plan

Currently, the City owns several parcels of land recently purchased with CDBG dollars which have been slated for Housing and Economic Development in one of the most deteriorated neighborhoods in the City. One of the deteriorating neighborhoods the City will focus on economic redevelopment through the submission of its NRSA Plan is the Historic Westside, CT3.01, Block Group 3. The City purchased several parcels in the area for mixed use, income housing and business development. Also, they City is pursuing the implementation of two (2) Health and Wellness Centers.

### Discussion

N/A

# Annual Goals and Objectives

## AP-20 Annual Goals and Objectives

### Goals Summary Information

| Sort Order | Goal Name | Start Year | End Year | Category | Geographic Area | Needs Addressed | Funding | Goal Outcome Indicator |
|---|---|---|---|---|---|---|---|---|
| 1 | Prevent and End Homeless | 2015 | 2019 | Homeless | CITY LIMITS | Homelessness | CDBG: $200,667 ESG: $392,665 CDBG-CV: $1,616,460 ESG-CV: $1,537,579 Second Round of ESG CARES Act Funds: $8,357,531 | Public Facility or Infrastructure Activities other than Low/Moderate Income Housing Benefit: 1 Public service activities other than Low/Moderate Income Housing Benefit: 625 Persons Assisted Tenant-based rental assistance / Rapid Rehousing: 18 Households Assisted Homeless Person Overnight Shelter: 406 Persons Assisted Homelessness Prevention: 850 Persons Assisted |

| Sort Order | Goal Name | Start Year | End Year | Category | Geographic Area | Needs Addressed | Funding | Goal Outcome Indicator |
|---|---|---|---|---|---|---|---|---|
| **2** | Educational enrichment services & supportive prgms | 2015 | 2019 | Non-Homeless Special Needs Non-Housing Community Development | CITY LIMITS | Educational Enrichment | CDBG: $111,317 | Public service activities other than Low/Moderate Income Housing Benefit: 107 Persons Assisted |
| **3** | HIV/AIDS Homeless Prevention | 2015 | 2019 | Affordable Housing Homeless Non-Homeless Special Needs | CITY LIMITS | Homelessness Special Needs and Low/Mod Income Public Services Affordable Housing | HOPWA: $1,237,794 HOPWA-CV: $280,792 | HIV/AIDS Housing Operations: 925 Household Housing Unit |
| **4** | Provide Community and Supportive Services | 2015 | 2019 | Affordable Housing Non-Homeless Special Needs Non-Housing Community Development | CITY LIMITS | Special Needs and Low/Mod Income Public Services | CDBG: $582,244 CDBG-CV: $300,000 | Public service activities other than Low/Moderate Income Housing Benefit: 872 Persons Assisted Homeowner Housing Rehabilitated: 40 Household Housing Unit Homelessness Prevention: 154 Persons Assisted |
| **5** | Provide Decent & Affordable Hsg (Rental & Owner) | 2015 | 2019 | Affordable Housing Homeless Non-Homeless Special Needs | CITY LIMITS | Affordable Housing | HOME: $1,300,000 | Rental units constructed: 80 Household Housing Unit |

| Sort Order | Goal Name | Start Year | End Year | Category | Geographic Area | Needs Addressed | Funding | Goal Outcome Indicator |
|---|---|---|---|---|---|---|---|---|
| 6 | Community Facilities/Infrastructure/Neigh. Revital | 2015 | 2019 | Non-Housing Community Development | CITY LIMITS | Homelessness Educational Enrichment Special Needs and Low/Mod Income Public Services Affordable Housing Community Facilities, Infrastructure, Improvements | CDBG: $2,002,906 CDBG-CV: $1,165,842 | Public Facility or Infrastructure Activities other than Low/Moderate Income Housing Benefit: 2 |

**Table 6 – Goals Summary**

## Goal Descriptions

| | | |
|---|---|---|
| 1 | **Goal Name** | Prevent and End Homeless |
| | **Goal Description** | The City has received an allocation of CDBG-CV and two rounds of ESG-CV funds to be used to prevent, prepare for, and respond to COVID-19. Specifically, the City will utilize $1,616,460 of its CDBG-CV funds towards homeless prevention and housing stabilization through an emergency rental assistance program for households between 50%-80% AMI and administration costs. The first round of ESG-CV funds of $1,537,579 (excluding 10% Admin) will be used to provide rent and utility assistance to households at or below 50% AMI. The second round of ESG CARES Act funds will be used to expand the City's rental and utility assistance program for households at or below 50% AMI ($1,000,000); rehabilitate a public facility that will be utilized as a respite shelter ($250,000); provide support for respite shelter operations ($3,700,000); and public services associated with COVID-19 activities ($2,571,778), and administration costs ($835,753).<br><br>The City will focus a large portion of its FY 19/20 ESG, HOPWA, and CDBG funds to prevent and reduce homelessness by working with many qualified agencies and dedicating internal resources to the construction and management of the Homeless Courtyard. Services that will be provided during the FY 19/20 include supportive wrap-around services, case management, shelter operations, rapid-rehousing, permanent supportive housing, and emergency rental and utility assistance. In addition, the city will use General Fund and Redevelopment Set-Aside funds to support bridge housing and the Homeless Courtyard. |
| 2 | **Goal Name** | Educational enrichment services & supportive prgms |
| | **Goal Description** | These funds will be used to provide educational supportive services for low/mod income families and individuals to improve literacy and early childhood education in the community. |
| 3 | **Goal Name** | HIV/AIDS Homeless Prevention |
| | **Goal Description** | The City has received $280,792.00 in HOPWA-CV funds to be used to prevent, prepare for, and respond to COVID-19. While 6% or $16,847.52 will be dedicated toward Administration and Planning, an RFP may be published for the remaining amount of $263,945.00 for agencies that serve the HIV/AIDS community who can provide essential services and access to supplies.<br><br>The city will dedicate FY 19/20 funds to support individuals and families affected by HIV/AIDS with supportive services, homeless prevention and short-term rental, mortgage, and utility assistance. In addition, the city will support local agencies in the operation of dedicated units to house individuals and families affected by HIV/AIDS. |

| | | |
|---|---|---|
| **4** | **Goal Name** | Provide Community and Supportive Services |
| | **Goal Description** | The City may utilize a portion of its CDBG-CV funding toward emergency food assistance ($300,000) for COVID-19 vulnerable citizens, and support economic development activities that stabilize communities.<br><br>2019/2020 funds will support community agencies that provide essential services to low/mod individuals and families with special needs including senior services, mental health services, and job readiness. |
| **5** | **Goal Name** | Provide Decent & Affordable Hsg (Rental & Owner) |
| | **Goal Description** | Wardelle Street Townhouses will construct 80 townhouse-style units with one, two and three bedrooms for mixed-income families. The amenities will include a community center and outdoor recreation area. In addition, the city will support critical home repairs for eligible individuals and families to help them maintain decent and affordable housing. |
| **6** | **Goal Name** | Community Facilities/Infrastructure/Neigh. Revital |
| | **Goal Description** | CDBG-CV funds in the amount of $1,165,842 will be utilized toward a capital purchase to develop respite, emergency and supportive housing for individuals who are homeless or at risk of becoming homeless as part of a long term plan for housing homeless who have been impacted by COVID-19<br><br>The city will support economic development and neighborhood revitalization with 2019/2020 capital funds. |

# Projects

## AP-35 Projects – 91.220(d)

### Introduction

The City has incorporated several projects into the existing plan to show how it will deploy its allocation of CDBG-CV, ESG-CV, and HOPWA-CV CARES Act funds to prevent, prepare for, and respond to COVID-19.

The grant selection process differed this year as the CDRB was installed to evaluate whether second-year funding would be granted to those agencies that applied and awarded a two-year grant in 2018. Partnering agencies were informed of the new process and funding depended on their ability to meet desired outcomes. There were 18 agencies who met their performance goals, financial metrics, and reporting standards as outlined in their agreement: ESG (5), HOPWA (3), and CDBG (10). These agencies were required to present before CDRB, public meeting to discuss a plan of action toward meeting their performance goals. Those agencies were funded at their FY18 levels. There were 14 agencies who experienced some challenges with meeting the criteria set forth in their agreement. The City and CDRB recognized this as an opportunity to conduct technical assistance and additional training as needed: ESG (1), HOPWA (4), and CDBG (9). Each of the agencies was funded at FY18 levels with conditions for mandatory training, cross-programming/collaboration with other agencies as appropriate, create an Action Plan with the City to address issues. Overall, the agencies' appearances resulted in a great deal of discussion that resulted in strengthening our partnerships.

**Projects**

| # | Project Name |
|---|---|
| 1 | CDBG Administration 19/20 |
| 2 | Homeless Courtyard Bond Payment 2019/2020 |
| 3 | Rebuilding Together - Rehabilitation |
| 4 | St. Jude's Ranch for Children - New Crossings Homeless Youth Families |
| 5 | Boys Town Nevada Inc |
| 6 | Family Promise of Las Vegas |
| 7 | Tech Impact |
| 8 | Salvation Army |
| 9 | HELP of Southern Nevada |
| 10 | Catholic Charities of Southern Nevada - Meals on Wheels |
| 11 | Helping Hands of Vegas Valley Inc |
| 12 | Jewish Family Service Agency |
| 13 | Lutheran Social Services of Nevada |

| # | Project Name |
|---|---|
| 14 | Nevada Partnership for Homeless Youth |
| 15 | St. Jude's Ranch - Therapeutic Residential Foster Care |
| 16 | Foster Kinship |
| 17 | Clark County Law Foundation |
| 18 | Clark County Public Education Foundation, DBA The Public Education Foundation |
| 19 | Catholic Charities of Southern Nevada - Moving Homeless Closer to Self Sufficiency |
| 20 | Community Counseling Center - Adolescent Mental Health |
| 21 | Grant A Gift Autism Foundation |
| 22 | HESG 2019-2020 |
| 23 | Community Counseling Center - Case Management Program |
| 24 | Community Counseling Center - Community Health Program |
| 25 | Women's Development Center |
| 26 | HELP of Southern Nevada - No Place Like Home |
| 27 | Aid for AIDS Nevada |
| 28 | Golden Rainbow - Living With AIDS Housing Program |
| 29 | Golden Rainbow - Support Services |
| 30 | HOPWA Administration 2019/2020 |
| 31 | HOME Program Administration 2019/2020 |
| 32 | 2019-2020 HOME CHDO |
| 33 | Future CDBG Capital |
| 34 | 2019-2020 Future HOPWA Programming |
| 35 | 2019-2020 Future CDBG Public Service Programming |
| 36 | Future Affordable Housing HOME 2019-2020 |
| 37 | CV-Emergency Rental Assistance |
| 38 | CV-Emergency Food Assistance |
| 39 | 2020 - 2021 CV-COVID-19 City of Las Vegas NVH20FHW001 (NV) |
| 40 | 2020 - 2021 CV-COVID-19 Supportive Services NVH20FHW001 (NV) |
| 41 | 2020 - 2021 CV-COVID-19 Project Sponsor Admin NVH20FHW001 (NV) |
| 42 | 2020 - 2021 CV-COVID-19 STRMU NVH20FHW001 (NV) |
| 43 | 2020 - 2021 CV-COVID-19 Resource Id NVH20FHW001 (NV) |
| 44 | ESG20 – Las Vegas |
| 45 | CV-Capital Purchase |
| | |
| | |

**Table 7 - Project Information**

**Describe the reasons for allocation priorities and any obstacles to addressing underserved**

**needs**

The City will utilize its CARES Act funds to prevent, prepare for, and respond to COVID-19

Reducing homelessness, community education, and engagement are amongst the top priorities for the City and the Office of Community Services (OCS). Since OCS redesigned its grant cycle from one year to every two years, the partnering agencies were selected upon the population of applicants that were best aligned with the City's and OCS' strategic priorities.

## AP-38 Project Summary

### Project Summary Information

| | | |
|---|---|---|
| **1** | **Project Name** | CDBG Administration 19/20 |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Prevent and End Homeless<br>Educational enrichment services & supportive prgms<br>Provide Community and Supportive Services<br>Provide Decent & Affordable Hsg (Rental & Owner)<br>Community Facilities/Infrastructure/Neigh. Revital<br>HIV/AIDS Homeless Prevention |
| | **Needs Addressed** | Homelessness<br>Educational Enrichment<br>Special Needs and Low/Mod Income Public Services<br>Affordable Housing<br>Community Facilities, Infrastructure, Improvements |
| | **Funding** | CDBG: $1,014,930 |
| | **Description** | For the administration of the Community Development Block Grant for FY 2018/2019 |
| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | N/A |
| | **Location Description** | N/A |
| | **Planned Activities** | These funds will be used to support the administration of the Community Development Block Grant Program. |
| **2** | **Project Name** | Homeless Courtyard Bond Payment 2019/2020 |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Prevent and End Homeless<br>Educational enrichment services & supportive prgms<br>Provide Community and Supportive Services<br>Provide Decent & Affordable Hsg (Rental & Owner)<br>Community Facilities/Infrastructure/Neigh. Revital<br>HIV/AIDS Homeless Prevention |

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|---|---|---|
| | **Needs Addressed** | Homelessness<br>Educational Enrichment<br>Special Needs and Low/Mod Income Public Services<br>Affordable Housing<br>Community Facilities, Infrastructure, Improvements |
| | **Funding** | CDBG: $1,145,616 |
| | **Description** | Annual Bond Payment to support the Construction of the Homeless Resource Center. |
| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | N/A |
| | **Location Description** | N/A |
| | **Planned Activities** | This bond payment will be used to obtain funding to support the construction of the Homeless Courtyard |
| **3** | **Project Name** | Rebuilding Together - Rehabilitation |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Provide Decent & Affordable Hsg (Rental & Owner) |
| | **Needs Addressed** | Special Needs and Low/Mod Income Public Services |
| | **Funding** | CDBG: $150,000 |
| | **Description** | The program will provide low-income homeowners with emergency repair services. |
| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | Agency will assist 40 low-income seniors with emergency repairs. |
| | **Location Description** | City Limits |
| | **Planned Activities** | Agency will provide low-income senior citizen homeowners with repairs that may otherwise not be afforded such as faucet replacement, hot water repairs, appliances, windows, toilets, etc. |

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| **4** | **Project Name** | St. Jude's Ranch for Children - New Crossings Homeless Youth Families |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Prevent and End Homeless |
| | **Needs Addressed** | Homelessness |
| | **Funding** | CDBG: $44,500 |
| | **Description** | The program provides housing, intensive case management, independent living skills, job search assistance, and other supportive services to homeless youth (ages 18-24) |
| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | New Crossings will provide services to approximately 25 homeless youth (ages 18-24). |
| | **Location Description** | City Limits |
| | **Planned Activities** | Individuals will work one-on-one with the staff career coach to help them identify barriers to employment and learn how they can obtain successful employment. During the program, individuals will learn employer expectations, how to build resumes, search for job opportunities and apply for jobs. The career coach acts as an “employer liaison” between employer and client, which helps the individual find the best opportunities that lead to sustainable employment. |
| **5** | **Project Name** | Boys Town Nevada Inc |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Educational enrichment services & supportive prgms |
| | **Needs Addressed** | Educational Enrichment |
| | **Funding** | CDBG: $82,018 |
| | **Description** | Boys Town Nevada Care Coordination Services Plus Comprehensive case management delivered in the home, school, and in the community. The program links families to critical services to enhance their ability to provide safe, stable, and nurturing the home environment. |
| | **Target Date** | 6/30/2020 |

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| | **Estimate the number and type of families that will benefit from the proposed activities** | Boys Town Nevada will provide case management in the home, school, and in the community to approximately 18 low-moderate income families. |
| | **Location Description** | City Limits |
| | **Planned Activities** | Provide family-centered case management services to homeless families, whose household incomes are 80% or below Area Median Income. By providing case management services to eligible families, Boys Town Nevada will assist parents in navigating community, public, social and mental health services. Services aid in equipping families to successfully transition from homelessness to a home of their own, building protective factors and accessing health services, thereby increasing their self-sufficiency, well-being and safety. |
| **6** | **Project Name** | Family Promise of Las Vegas |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Prevent and End Homeless |
| | **Needs Addressed** | Homelessness |
| | **Funding** | CDBG: $19,500 |
| | **Description** | The Bridge Home - Provides intense case management services including an assessment of needs, development of a responsibility plan for each family, monitoring of all goals set and assistance and advocacy for the families. |
| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | The Bridge Home will provide intense case management services to approximately 19 families. |
| | **Location Description** | City Limits |
| | **Planned Activities** | The Bridge Home - Provides intense case management services to include an assessment of needs, development of a responsibility plan for each family, monitoring of all goals set and advocacy for the families' accomplishment of their identified goals thereby helping homeless families with children return to sustainable housing. |
| | **Project Name** | Tech Impact |

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| **7** | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Educational enrichment services & supportive prgms |
| | **Needs Addressed** | Educational Enrichment |
| | **Funding** | CDBG: $17,000 |
| | **Description** | CXWorks Customer Service Call Center Training for Young Adults & Veterans at Risk for Lifelong Poverty - Provides young adults and veterans with the needed skills, experience, and support to secure and retain full-time employment in in-demand entry-level call center customer service positions (Call Center Customer Representative). |
| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | In Fiscal Year 2019-2020, 36 CLV eligible students will graduate from three cohorts. |
| | **Location Description** | City Limits |
| | **Planned Activities** | The program provides customer service and technical skills training and professional/soft skills training. Every Friday, corporate volunteers present topics including Financial Management, Resume Writing, Interviewing, Leadership, and Professionalism. Students are paired with a mentor, typically a call center professional, for the full 8-week program to improve their chances for success. Throughout the program, the students have numerous opportunities to network with industry professionals. Each student graduates with a career toolkit: a resume, cover letters, references, and thank you letters, a LinkedIn account, and over 100 professional contacts. Our staff cultivates relationships with recruiters and hiring organizations and distributes job opportunities to graduates through email and social media. Our local Career Development Associate cultivates partnerships with regional organizations to increase job opportunities for our students and to facilitate networking among alumni. |
| **8** | **Project Name** | Salvation Army |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Prevent and End Homeless |
| | **Needs Addressed** | Homelessness |
| | **Funding** | CDBG: $99,500 |

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| | **Description** | Career Corner - Supports the Vocational Training Program to serve homeless, at-risk homeless, and low-income adults. The program provides essential employment skills, job readiness, life skills and financial management training, on-the-job training, occupational training, job search, job placement, case management, and supportive services to homeless, at risk of homeless and low-income adults. |
| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | Career Corner will provide services to approximately 50 homeless, at-risk homeless and low-income adults. |
| | **Location Description** | City Limits |
| | **Planned Activities** | Providing employment services to eligible clients, the Salvation Army will assist them in accessing employment resources and opportunities to develop the skills needed to secure employment. Services aid in equipping the homeless population to secure employment that pays a living wage and permanent housing, thereby increasing their self-sufficiency. |
| **9** | **Project Name** | HELP of Southern Nevada |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Prevent and End Homeless |
| | **Needs Addressed** | Homelessness |
| | **Funding** | CDBG: $34,500 |
| | **Description** | Emergency Resources Center - Provides services to homeless, at-risk, and low-income households and includes housing assistance, homeless prevention, rapid rehousing, permanent supportive housing, and No Place Like Home, a housing program for people living with HIV/AIDS. |
| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | This funding will serve approximately 7 clients. |
| | **Location Description** | City Limits |

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| | **Planned Activities** | Provide short to medium term rental assistance to eligible households. Rental assistance will not exceed 12 months. Participants meet with their Intensive Case Manager a minimum of once a week and in some situations up to 2-3 times weekly. The ICM and participants work together as a team to address presenting issues such as a lack of income, needed medical care, food, identification, etc. Help families re-enter the workforce, establish dependability, and move towards independence.<br><br>Participate in educational services that help to improve literacy levels, obtain GEDs, and improve computer skills. Behavioral health services support the participant in their recovery and addressing mental health issues, which in turn, improves their ability to secure and retain employment. |
| **10** | **Project Name** | Catholic Charities of Southern Nevada - Meals on Wheels |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Provide Community and Supportive Services |
| | **Needs Addressed** | Special Needs and Low/Mod Income Public Services |
| | **Funding** | CDBG: $52,000 |
| | **Description** | The program will deliver seven nutritious meals, fruit and milk to approximately 37 home-bound seniors. In addition to the weekly delivery, a wellness check is provided along with pet food if requested. This has allowed home-bound seniors to remain living independently in their homes. |
| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | Meals on Wheels - delivers seven nutritious meals, fruit and milk to approximately 15 homebound seniors. In addition to the weekly delivery, a wellness check is provided along with pet food if requested. This has allowed homebound seniors to remain living independently in their homes. |
| | **Location Description** | City Limits |
| | **Planned Activities** | Include but is not limited to nutritionally balanced frozen meals, fresh fruit, and milk. If a senior requires a modified textured meal or has a special dietary restriction, accommodations will be made to meet their individual needs |
| **11** | **Project Name** | Helping Hands of Vegas Valley Inc |
| | **Target Area** | CITY LIMITS |

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| | **Goals Supported** | Provide Community and Supportive Services |
| | **Needs Addressed** | Special Needs and Low/Mod Income Public Services |
| | **Funding** | CDBG: $49,500 |
| | **Description** | Senior Coordinated Transportation Program - The goal of the proposed project is to serve an additional 200 low-income seniors through the currently existing transportation program. The program currently provides between 15,000-20,000 safe rides to 900 seniors per year as they travel to medical appointments and other necessary errands. |
| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | The goal of the proposed project is to serve an additional 200 low-income seniors through the currently existing transportation program. |
| | **Location Description** | City Limits |
| | **Planned Activities** | Take clients to medical appointments, grocery shopping, and other necessary errands. Clients are assessed with an in-home visit and then can start to schedule rides with our scheduling department. |
| **12** | **Project Name** | Jewish Family Service Agency |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Provide Community and Supportive Services |
| | **Needs Addressed** | Special Needs and Low/Mod Income Public Services |
| | **Funding** | CDBG: $37,000 |
| | **Description** | Senior Lifeline - Provides services and assistance for low-income vulnerable seniors. The Las Vegas Senior Lifeline Program is a case management driven, support service program for low-income seniors of all faiths and cultural traditions. |
| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | Senior Lifeline will provide services and assistance to approximately 120 low-income vulnerable seniors. The Las Vegas Senior Lifeline Program is a case management driven, support service program for low-income seniors of all faiths and cultural traditions. |
| | **Location Description** | City Limits |

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| | **Planned Activities** | Assist low- and moderate-income seniors with no-cost supportive services in an effort to increase their ability to age in place. Services provided include Access to Nutritious Food, Medical Support, Homemaking Services, Case Management and Resource Referrals. |
| **13** | **Project Name** | Lutheran Social Services of Nevada |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Provide Community and Supportive Services |
| | **Needs Addressed** | Special Needs and Low/Mod Income Public Services |
| | **Funding** | CDBG: $21,727 |
| | **Description** | Heart of the City Senior Meal Program - Provides free meals five days per week at two locations to seniors aged 60 and older. In addition to receiving meals, the clients served through this program avoid isolation and keep their independence by having the opportunity to socialize, make friends, and have access to other supportive services. |
| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | Heart of the City Senior Meal Program will provide free meals five days per week at two locations to approximately 75 seniors aged 60 and older. In addition to receiving meals, the clients served through this program avoid isolation and keep their independence by having the opportunity to socialize, make friends, and have access to other supportive services. |
| | **Location Description** | City Limits |
| | **Planned Activities** | The Program will reduce food insecurity and increase independence for seniors aged 62 and older by providing free and nutritious meals five days per week. |
| **14** | **Project Name** | Nevada Partnership for Homeless Youth |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Educational enrichment services & supportive prgms |
| | **Needs Addressed** | Educational Enrichment |
| | **Funding** | CDBG: $54,217 |
| | **Description** | Safe Place: Youth Outreach & Intervention Program - An outreach, education, and referral program that provides easily accessible crisis intervention services to abused, neglected, abandoned, and other children and teens in need of immediate help and safety. |

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| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | Safe Place Youth Outreach & Intervention Program will provide easily accessible crisis intervention services to abused, neglected, abandoned, and other children and teens in need of immediate help and safety. This will serve approximately 55 youth. |
| | **Location Description** | City Limits |
| | **Planned Activities** | Provide mobile crisis intervention services and a crisis hotline to eligible youth in crisis with immediate support and link them to services that meet their unique needs and circumstances. Services aid in equipping youth with tools and resources to address their immediate needs, thereby increasing their safety and stability. |
| **15** | **Project Name** | St. Jude's Ranch - Therapeutic Residential Foster Care |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Provide Community and Supportive Services |
| | **Needs Addressed** | Special Needs and Low/Mod Income Public Services |
| | **Funding** | CDBG: $23,750 |
| | **Description** | This program will provide shelter, emergency services, and therapy to foster children who are removed from their homes in Las Vegas. |
| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | Therapeutic Residential Foster Care will provide shelter, emergency services, and therapy to approximately 7 foster children who are removed from their homes in Las Vegas. |
| | **Location Description** | City Limits |
| | **Planned Activities** | Each child lives in an onsite Family Home with their siblings and each Family Home is staffed by a Youth Care Provider and assistant. Youth Care providers are responsible for the daily supervision of the children and ensuring that each child is learning the new needed skill to become a productive member of the home. Youth care providers also ensure that each child attends therapy, goes to school and attends court meetings and family visitation. |
| **16** | **Project Name** | Foster Kinship |
| | **Target Area** | CITY LIMITS |

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| | **Goals Supported** | Provide Community and Supportive Services |
| | **Needs Addressed** | Special Needs and Low/Mod Income Public Services |
| | **Funding** | CDBG: $24,200 |
| | **Description** | Kinship Navigator Program - services include the kinship resource center, telephone helpline, resource locator tool, application assistance, case management, emergency resources, financial support, support groups, parenting classes, and family events. |
| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | Kinship Navigator Program will provide services including access to the kinship resource center, telephone helpline, resource locator tool, application assistance, case management, emergency resources, financial support, support groups, parenting classes, and family events. It will serve approximately 200 families. |
| | **Location Description** | City Limits |
| | **Planned Activities** | Provide support, information, and resources to eligible kinship families to improve the quality of life for children in kinship care and minimize the number of children who enter the foster care system. Services aid in equipping kinship caregivers with the tools and resources needed to provide safe, permanent and nurturing homes for children in their care, thereby increasing safety, permanency and well-being outcomes for children in out-of-home placement. |
| **17** | **Project Name** | Clark County Law Foundation |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Educational enrichment services & supportive prgms |
| | **Needs Addressed** | Educational Enrichment |
| | **Funding** | CDBG: $18,000 |
| | **Description** | Teen Court - TRIAL BY PEERS - Allows first time juvenile offenders charged with misdemeanors to be tried, defended, and sentenced by their peers and the only participating adult in the proceedings is the judge. Based on the principles of restorative justice, TBP teaches youth about accountability, community involvement, and our judicial process. |
| | **Target Date** | 6/30/2020 |

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| | **Estimate the number and type of families that will benefit from the proposed activities** | Teen Court - TRIAL BY PEERS will serve approximately 63 first time juvenile offenders charged with misdemeanors to be tried, defended, and sentenced by their peers and the only participating adult in the proceedings is the judge. Based on the principles of restorative justice, TBP teaches youth about accountability, community involvement, and our judicial process. |
| | **Location Description** | City Limits |
| | **Planned Activities** | CCLF will engage eligible youth in one of three program activities: the defendant, peer counselor and/or juror. CCLF will provide youth defendants with court diversion services and an opportunity to serve as a juror and will receive training to become peer counselors. All youth will also engage in community service activities. |
| **18** | **Project Name** | Clark County Public Education Foundation, DBA The Public Education Foundation |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Educational enrichment services & supportive prgms |
| | **Needs Addressed** | Educational Enrichment |
| | **Funding** | CDBG: $24,067 |
| | **Description** | Family Learning for Academic Success and Economic Stability - Supports children's sustained educational outcomes by teaching parents how to use home literacy and numeracy strategies, positive parenting skills, and leadership, advocacy, and employability skills to create a stable, academically supportive home and an actively engaged parent-school relationship. |
| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | This program will support 24 families |
| | **Location Description** | City Limits |

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| | **Planned Activities** | The Public Education Foundation will provide parents and guardians with no-cost services which include: the 32-week Family Learning Program and access to Andson's financial literacy workshops to increase financial literacy and career skills. Services must be provided to the City of Las Vegas residents and parents/guardians must have a student that attends on the following elementary schools: Crestwood Elementary School and J.T McWilliams Elementary School. |
| **19** | **Project Name** | Catholic Charities of Southern Nevada - Moving Homeless Closer to Self Sufficiency |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Prevent and End Homeless |
| | **Needs Addressed** | Homelessness |
| | **Funding** | CDBG: $40,000 |
| | **Description** | This program will engage with clients through homeless outreach. Clients will be engaged in services and programs such as Renewing Hope for Men. Renewing Hope is an intensive case management program designed to break the cycle of homelessness by introducing life skills and job readiness education. During the process, clients will be enabled the opportunity to eliminate barriers to employment such as lack of birth certificates, identification, and social security cards. |
| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | The Program will provide homeless outreach and intensive case management for 50 clients, 50 ID's/Birth Certificates |
| | **Location Description** | City Limits |
| | **Planned Activities** | Services to be provided include Homeless Outreach, Intensive Case Management, Education and purchasing of bus passes, identification and/or birth certificates. |
| **20** | **Project Name** | Community Counseling Center - Adolescent Mental Health |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Provide Community and Supportive Services |
| | **Needs Addressed** | Special Needs and Low/Mod Income Public Services |
| | **Funding** | CDBG: $33,500 |

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| | **Description** | This program promotes the healthy functioning of individuals, families, and communities through professional behavioral health services in a safe environment. Provides mental health and substance abuse counseling, psychiatry and medication management, case management, HIV supportive services, free rapid HIV testing and support/wellness groups. |
| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | Adolescent Mental Health - promotes the healthy functioning of individuals, families, and communities through professional behavioral health services in a safe environment. Provides mental health and substance abuse counseling, psychiatry and medication management, case management, HIV supportive services, free rapid HIV testing and support/wellness groups. This program will serve approximately 12 individuals. |
| | **Location Description** | City Limits |
| | **Planned Activities** | Community Counseling Center staff will conduct intake assessments, provide crisis intervention and support, and provide both group and individual therapy sessions to disadvantaged and at-risk adolescents. Clients will receive mental health counseling, substance abuse treatment, and referrals based on their individual needs. Licensed counselors will utilize evidence-based practices to assist clients in developing strategies and techniques to manage mental health symptoms and stress caused by the disease. Clients will remain enrolled in the program for ongoing individual and/or group therapy until a discharge decision is made between the client and counselor. |
| **21** | **Project Name** | Grant A Gift Autism Foundation |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Educational enrichment services & supportive prgms |
| | **Needs Addressed** | Educational Enrichment |
| | **Funding** | CDBG: $69,250 |
| | **Description** | TeenWORKS Vocational Program - Vocational/Transition program serving individuals 13-22 years of age, on the autism spectrum, that are currently enrolled in middle/high school. Along with helping young adults gain vocational work skills in multiple settings, individuals in the program have the potential to gain the social and life skills required for a successful transition into paid working positions and other areas of adulthood. |

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|---|---|---|
| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | TeenWORKS Vocational Program - Vocational/Transition program serving individuals 13-22 years of age, on the autism spectrum, that are currently enrolled in middle/high school. Along with helping young adults gain vocational work skills in multiple settings, individuals in the program have the potential to gain the social and life skills required for a successful transition into paid working positions and other areas of adulthood. This program will serve approximately 20 individuals. |
| | **Location Description** | City Limits |
| | **Planned Activities** | Teens and young adults with autism will gain the job readiness skills required for a successful transition into paid working positions and other areas of adulthood. The TeenWORKS program runs in 3-month sessions, wherein teens are assigned to a partnered community site with the support of a Job Coach. At the end of the 3-months, and based off client progress, teens will then rotate through a different community site (totaling 4 different work placements) to have exposure and master a comprehensive amount of working skills. |
| **22** | **Project Name** | HESG 2019-2020 |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Prevent and End Homeless |
| | **Needs Addressed** | Homelessness |
| | **Funding** | ESG: $441,833 |
| | **Description** | Administration: $33,137 Rapid Re-housing: $213,088 Emergency Shelter: $104,577.00 Homeless Prevention: $75,000 Future Programming: 16,031 |
| | **Target Date** | 6/30/2020 |

| | | |
|---|---|---|
| | **Estimate the number and type of families that will benefit from the proposed activities** | An estimated 259 clients will be served with ESG funding.<br><br>ESG dollars will fund the following agencies for FY 2019/2020:<br>HELP of Southern Nevada - Emergency Resource Services - 5 clients.<br>Help of Southern Nevada - Shannon West Homeless Youth Center - 44 clients.<br>Lutheran Social Services - H.O.M.E. - 15 clients.<br>Salvation Army - Rapid Rehousing - 18 clients.<br>Shade Tree - Emergency Shelter - 162 clients.<br>St Jude's Ranch for Children - Crossings - 15 clients. |
| | **Location Description** | City Limits |
| | **Planned Activities** | |
| **23** | **Project Name** | Community Counseling Center - Case Management Program |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | HIV/AIDS Homeless Prevention |
| | **Needs Addressed** | Special Needs and Low/Mod Income Public Services |
| | **Funding** | HOPWA: $60,000 |
| | **Description** | Case Management Program - Promotes the healthy functioning of individuals, families, and communities through and professional behavioral health services. |
| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | This program will serve approximately 200 individuals and families affected by HIV/AIDS. |
| | **Location Description** | City Limits |
| | **Planned Activities** | Case Management Program – Provides essential case management services to ensure that all HOPWA-eligible clients are receiving the appropriate linkages to services and housing-related assistance in a timely manner |
| **24** | **Project Name** | Community Counseling Center - Community Health Program |
| | **Target Area** | CITY LIMITS |

| | | |
|---|---|---|
| | **Goals Supported** | Educational enrichment services & supportive prgms<br>HIV/AIDS Homeless Prevention |
| | **Needs Addressed** | Special Needs and Low/Mod Income Public Services |
| | **Funding** | HOPWA: $40,000 |
| | **Description** | Community Health Program - Promotes the healthy functioning of individuals, families, and communities through affordable, sensitive, and professional behavioral health services in a safe environment. CCC will staff 1 FTE Counselor to conduct intake assessments, provide crisis intervention and support, and provide both group and individual therapy sessions to disadvantaged and at-risk individuals who are infected or affected by HIV/AIDS. |
| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | This program will serve approximately 17 individuals and families affected by HIV/AIDS. |
| | **Location Description** | City Limits |
| | **Planned Activities** | Community Health Program - To conduct intake assessments, provide crisis intervention and support, and provide both group and individual therapy sessions to disadvantaged and at-risk individuals who are infected or affected by HIV/AIDS. |
| **25** | **Project Name** | Women's Development Center |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | HIV/AIDS Homeless Prevention |
| | **Needs Addressed** | Homelessness<br>Special Needs and Low/Mod Income Public Services |
| | **Funding** | HOPWA: $200,000 |
| | **Description** | HOPWA Housing Opportunities - Provides affordable housing to low-income people in the local HIV Care Continuum. Helps to prevent homelessness through housing counseling efforts. |
| | **Target Date** | 6/30/2020 |

| | | |
|---|---|---|
| | **Estimate the number and type of families that will benefit from the proposed activities** | This program will provide housing to approximately 30 individuals and families affected by HIV/AIDS |
| | **Location Description** | City Limits |
| | **Planned Activities** | HOPWA Housing Opportunities – Provides safe, sanitary, and habitable affordable housing to low-income people in the local HIV Care Continuum. |
| **26** | **Project Name** | HELP of Southern Nevada - No Place Like Home |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Provide Community and Supportive Services<br>HIV/AIDS Homeless Prevention |
| | **Needs Addressed** | Homelessness<br>Special Needs and Low/Mod Income Public Services |
| | **Funding** | HOPWA: $387,794 |
| | **Description** | No Place Like Home - The program goal is to help improve health outcomes for People Living With HIV/AIDS (PLWHA) by providing safe, sanitary, and habitable housing, that allows the participant to remain and/or engage in medical care and other needed supportive services |
| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | This program will provide housing to approximately 30 individuals and families affected by HIV/AIDS and who are homeless or at-risk of being homeless. |
| | **Location Description** | City Limits |
| | **Planned Activities** | No Place Like Home - The program goal is to help improve health outcomes for people living with HIV/AIDS by providing safe, sanitary, and habitable housing that allows the participant to remain and/or engage in medical care and other needed supportive services. |
| **27** | **Project Name** | Aid for AIDS Nevada |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | HIV/AIDS Homeless Prevention |
| | **Needs Addressed** | Special Needs and Low/Mod Income Public Services |

| | | |
|---|---|---|
| | **Funding** | HOPWA: $400,000 |
| | **Description** | AFAN Housing Project - Provides short and long-term housing assistance, emergency financial assistance, supportive services, and mental health services. |
| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | This program will providing housing and services to approximately 245 individuals and families affected by HIV/AIDS. |
| | **Location Description** | City Limits |
| | **Planned Activities** | AFAN Housing Project - Provides the following services to support clients in obtaining and maintaining stable, safe and affordable housing: short and long-term housing assistance, emergency financial assistance, supportive services, mental health services, and case management. |
| **28** | **Project Name** | Golden Rainbow - Living With AIDS Housing Program |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | HIV/AIDS Homeless Prevention |
| | **Needs Addressed** | Special Needs and Low/Mod Income Public Services |
| | **Funding** | HOPWA: $100,000 |
| | **Description** | Living With AIDS Housing Program - Provides financial assistance in the form of one-time payments of rent to prevent eviction due to their medical condition. Additionally, the program provides clients with permanent housing placement assistance, housing operations, and support services |
| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | This program will provide housing assistance to approximately 87 individuals and families affected by HIV/AIDS. |
| | **Location Description** | City Limits |

| | | |
|---|---|---|
| | **Planned Activities** | Living With AIDS Housing Program - Provides financial assistance in the form of security deposits, first and last month's rent, and move-in expenses to support people living HIV/AIDS to secure permanent long-term housing |
| **29** | **Project Name** | Golden Rainbow - Support Services |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | HIV/AIDS Homeless Prevention |
| | **Needs Addressed** | Special Needs and Low/Mod Income Public Services |
| | **Funding** | HOPWA: $50,000 |
| | **Description** | Living With AIDS Support Services - Provides financial assistance in the form of checks to assist clients with public transportation to get to job interviews, covers fees for mandatory background checks, Sheriff, health and TAM cards, legal records retrieval and continuing education and extension courses. Also, the program helps pay for necessary work uniforms, specialty work shoes, basic tools, and job-specific supplies |
| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | This program will provide services to approximately 216 individuals and families affected by HIV/AIDS. |
| | **Location Description** | City Limits |
| | **Planned Activities** | Golden Rainbow provides financial assistance in the form of checks to assist clients with public transportation to get to job interviews, covers fees for mandatory background checks, Sheriff, health and TAM cards, legal records retrieval and continuing education and extension courses. Also the program provides assistance to clients who land a new job but have an inability to pay for necessary work uniforms, specialty work shoes, basic tools and job-specific supplies. |
| **30** | **Project Name** | HOPWA Administration 2019/2020 |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Prevent and End Homeless<br>Provide Community and Supportive Services |
| | **Needs Addressed** | Homelessness<br>Special Needs and Low/Mod Income Public Services |

| | | |
|---|---|---|
| | **Funding** | HOPWA: $51,389 |
| | **Description** | For the Administration of the HOPWA program. |
| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | Aid for AIDS Nevada – 246 individuals and families affected by HIV/AIDS<br>Community Counseling Center (Case Management) – 200<br>Community Counseling Center (Community Health) – 17<br>Golden Rainbow (Housing Program) – 87<br>Golden Rainbow (Supportive Services) – 216<br>HELP of Southern Nevada (No Place Like Home) – 30<br>Women's Development Center - 30 |
| | **Location Description** | City Limits |
| | **Planned Activities** | The Housing Opportunities for Persons with AIDS program is administered by the Office of Community Services City of Las Vegas department (OCS). |
| **31** | **Project Name** | HOME Program Administration 2019/2020 |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Provide Decent & Affordable Hsg (Rental & Owner) |
| | **Needs Addressed** | Affordable Housing |
| | **Funding** | HOME: $201,902 |
| | **Description** | To administer the HOME Program |
| | **Target Date** | |
| | **Estimate the number and type of families that will benefit from the proposed activities** | |
| | **Location Description** | |
| | **Planned Activities** | Funding will support the administration of the HOME Program. |
| **32** | **Project Name** | 2019-2020 HOME CHDO |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Provide Decent & Affordable Hsg (Rental & Owner) |
| | **Needs Addressed** | Affordable Housing |

| | | |
|---|---|---|
| | **Funding** | HOME: $302,853 |
| | **Description** | Funds will be used for affordable housing projects awarded to the city's CHDO, currently Nevada Hand |
| | **Target Date** | |
| | **Estimate the number and type of families that will benefit from the proposed activities** | |
| | **Location Description** | |
| | **Planned Activities** | |
| **33** | **Project Name** | Future CDBG Capital |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Prevent and End Homeless |
| | **Needs Addressed** | Homelessness |
| | **Funding** | CDBG: $2,136,484 |
| | **Description** | These funds will support future CDBG eligible construction projects |
| | **Target Date** | |
| | **Estimate the number and type of families that will benefit from the proposed activities** | |
| | **Location Description** | |
| | **Planned Activities** | This funding will support future CDBG eligible construction projects. |
| **34** | **Project Name** | 2019-2020 Future HOPWA Programming |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | HIV/AIDS Homeless Prevention |
| | **Needs Addressed** | Special Needs and Low/Mod Income Public Services |
| | **Funding** | HOPWA: $423,784 |
| | **Description** | To be allocated to future HOPWA projects |
| | **Target Date** | |

| | | |
|---|---|---|
| | **Estimate the number and type of families that will benefit from the proposed activities** | |
| | **Location Description** | |
| | **Planned Activities** | To be allocated to future HOPWA projects |
| **35** | **Project Name** | 2019-2020 Future CDBG Public Service Programming |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Prevent and End Homeless<br>Educational enrichment services & supportive prgms<br>Provide Community and Supportive Services<br>Provide Decent & Affordable Hsg (Rental & Owner) |
| | **Needs Addressed** | Homelessness<br>Educational Enrichment<br>Special Needs and Low/Mod Income Public Services |
| | **Funding** | CDBG: $16,969 |
| | **Description** | These funds will be provided to public service programming identified during the 2019-2020 FY. |
| | **Target Date** | 6/30/2020 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | |
| | **Location Description** | |
| | **Planned Activities** | Future CDBG Public Services |
| **36** | **Project Name** | Future Affordable Housing HOME 2019-2020 |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Provide Decent & Affordable Hsg (Rental & Owner) |
| | **Needs Addressed** | Affordable Housing |
| | **Funding** | HOME: $1,514,266<br>LIHTF: $912,315<br>State HOME: $408,025 |

| | | |
|---|---|---|
| | **Description** | Funding for future affordable housing projects. |
| | **Target Date** | |
| | **Estimate the number and type of families that will benefit from the proposed activities** | |
| | **Location Description** | |
| | **Planned Activities** | Funding for future affordable housing projects. |
| **37** | **Project Name** | CV-Emergency Rental Assistance |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Prevent and End Homeless |
| | **Needs Addressed** | Homelessness |
| | **Funding** | CDBG-CV:$1,616,460 |
| | **Description** | Provide emergency rental assistance using $1,000,000 to the City of Las Vegas residents who are in danger of becoming homeless due to their inability to pay their monthly rent due to a financial hardship associated with COVID-19. Assistance is up to three months and will be paid directly to the landlord and administration costs of $616,460. |
| | **Target Date** | 9/30/2021 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | The City of Las Vegas anticipates serving up to 203 households whose incomes are between 50%-80% AMI. |
| | **Location Description** | |
| | **Planned Activities** | Provide emergency rental assistance to the City of Las Vegas residents who are in danger of becoming homeless due to their inability to pay their monthly rent due to a financial hardship associated with COVID-19. Assistance is up to three months and will be paid directly to the landlord. |
| **38** | **Project Name** | CV-Emergency Food Assistance |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Provide Community and Supportive Services |
| | **Needs Addressed** | Special Needs and Low/Mod Income Public Services |

| | | |
|---|---|---|
| | **Funding** | CDBG-CV:$300,000 |
| | **Description** | Support food distribution to individuals and families adversely impacted due to COVID-19 |
| | **Target Date** | 9/30/2021 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | Food distribution for up to 250 individuals and families adversely impacted due to COVID-19 |
| | **Location Description** | |
| | **Planned Activities** | Food distribution for up to 250 individuals and families adversely impacted due to COVID-19 |
| **39** | **Project Name** | 2020 - 2021 CV-COVID-19 City of Las Vegas NVH20FHW001 (NV) |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | HIV/AIDS Homeless Prevention |
| | **Needs Addressed** | Special Needs and Low/Mod Income Public Services |
| | **Funding** | HOPWA-CV: $16,847 |
| | **Description** | Support agencies and programs that serve the HIV/AIDS community and can provide essential services and supplies as well as grantee admin costs. |
| | **Target Date** | 9/30/2021 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | |
| | **Location Description** | |
| | **Planned Activities** | |
| **40** | **Project Name** | 2020 - 2021 CV-COVID-19 Supportive Services NVH20FHW001 (NV) |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | HIV/AIDS Homeless Prevention |
| | **Needs Addressed** | Special Needs and Low/Mod Income Public Services |
| | **Funding** | HOPWA-CV: $65,986 |

| | | |
|---|---|---|
| | **Description** | The agency selection is TBD. Provide supportive services to the HIV/AIDS community to prevent, prepare for, and respond to COVID-19. |
| | **Target Date** | 9/30/2021 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | TBD |
| | **Location Description** | |
| | **Planned Activities** | TBD |
| **41** | **Project Name** | 2020 - 2021 CV-COVID-19 Project Sponsor Admin NVH20FHW001 (NV) |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | HIV/AIDS Homeless Prevention |
| | **Needs Addressed** | Special Needs and Low/Mod Income Public Services |
| | **Funding** | HOPWA-CV: $65,986 |
| | **Description** | The agency section is TBD. Project Sponsor Admin to manage programs and services carried out to the HIV/AIDS community to prevent, prepare for, and respond to COVID-19 |
| | **Target Date** | 9/30/2021 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | TBD |
| | **Location Description** | |
| | **Planned Activities** | TBD |
| **42** | **Project Name** | 2020 - 2021 CV-COVID-19 STRMU NVH20FHW001 (NV) |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | HIV/AIDS Homeless Prevention |
| | **Needs Addressed** | Special Needs and Low/Mod Income Public Services |
| | **Funding** | HOPWA-CV: $65,986 |

| | | |
|---|---|---|
| | **Description** | The agency selection is TBD. STRMU assistance to be carried out to the HIV/AIDS community to prevent, prepare for, and respond to COVID-19 |
| | **Target Date** | 9/30/2021 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | TBD |
| | **Location Description** | |
| | **Planned Activities** | TBD |
| **43** | **Project Name** | 2020 - 2021 CV-COVID-19 Resource Id NVH20FHW001 (NV) |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | HIV/AIDS Homeless Prevention |
| | **Needs Addressed** | Special Needs and Low/Mod Income Public Services |
| | **Funding** | HOPWA-CV: $65,986 |
| | **Description** | The agency selection is TBD. Assist citizens of the HIV/AIDS community in resource identification to prevent, prepare for, and respond to COVID-19 |
| | **Target Date** | 9/30/2021 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | TBD |
| | **Location Description** | |
| | **Planned Activities** | TBD |
| **44** | **Project Name** | ESG20-Las Vegas |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Prevent and End Homeless |
| | **Needs Addressed** | Special Needs and Low/Mod Income Public Services<br>Provide Community and Supportive Services |
| | **Funding** | HESG: $1,983,477, ESG-CV: $1,537,579, Second Round ESG CARES Act: $8,357,531 |

| | | |
|---|---|---|
| | **Description** | FY2020 Allocation $445,898: Administration: $33,442.35, Street Outreach: $235,732 and Rental Assistance: $176,724<br><br>ESG-CV $1,537,579: Administration: $153,757.90 and $1,383,821.10 remaining ESG-CV funds will be used to assist eligible households adversely impacted by COVID-19 with rental and utility assistance.<br><br>The second round of ESG CARES Act: $8,357,531 will be used to support a number of COVID-19 related activities that respond to the immediate need and integrates a strategy for long term stability for homeless citizens. The City's initiatives include:<br><br>1) Homeless prevention through an a rental and utility assistance program ($1,000,000);<br>2) Rehabilitation of a public facility to be used as a respite shelter for medically fragile citizens ($250,000);<br>3) Respite shelter operations ($3,700,000),<br>4) Public services that includes transportation services by The Arrow that will transport homeless persons to and from essential services ($820,000), fulfilling the CoC Emergency Shelter Interlocal agreement ($1,379,947), and partnering with agencies such as the Salvation Army ($200,000), Shade Tree $50,000), and Chicanos Por La Causa (CPLC) ($121,831) that will provide essential COVID-19 related services to the homeless community ; administration costs ($835,753) |
| | **Target Date** | |
| | **Estimate the number and type of families that will benefit from the proposed activities** | Up to 900 families and individuals will benefit from the above activities |
| | **Location Description** | |
| | **Planned Activities** | Provide a variety of services to the homeless community in response to COVID-19 |
| **45** | **Project Name** | CV-Capital Purchase |
| | **Target Area** | CITY LIMITS |
| | **Goals Supported** | Prevent and End Homeless |
| | **Needs Addressed** | Homelessness |
| | **Funding** | CDBG-CV: $1,165,842 |

| | | |
|---|---|---|
| | **Description** | Funds will be used to leverage capital investment for housing – respite, emergency, transitional, and permanent supportive housing |
| | **Target Date** | 9/30/2021 |
| | **Estimate the number and type of families that will benefit from the proposed activities** | |
| | **Location Description** | |
| | **Planned Activities** | Investment in respite shelter and housing options in the homeless community in response to COVID-19 |

## AP-50 Geographic Distribution – 91.220(f)

### Description of the geographic areas of the entitlement (including areas of low-income and minority concentration) where assistance will be directed

City of Las Vegas funded projects are primarily located in traditional low-income census tracts and areas that document a higher percentage of low and moderate income citizens; however, certain projects are available throughout the City. New construction HOME projects are located in areas with a diverse population and have vacant land or the ability to be converted to the proper zoning and use. The city supports the rehabilitation of existing substandard affordable housing in areas of minority concentration. HOPWA funds are used countywide while ESG funds will support individuals who meet eligibility criteria.

### Geographic Distribution

| Target Area | Percentage of Funds |
|---|---|
| CITY LIMITS | 80 |

**Table 8 - Geographic Distribution**

### Rationale for the priorities for allocating investments geographically

The City of Las Vegas will purpose its CDBG and ESG funds for homelessness prevention and housing services, youth enrichment, and special needs services. A greater emphasis will be on Historic West Las Vegas, the Corridor of HOPE, and the Meadows Community. However, homeless citizens' city-wide will have the opportunity to receive assistance and services.

The City will use HOPWA funds to target the Paradise EMSA as the city is the entitlement agency for those funds in Southern Nevada.

The City remains committed to applying for Neighborhood Revitalization Strategy Areas as mentioned in the Consolidated Plan

### Discussion

The city of Las Vegas' geographic priorities were established based upon the analysis of the current community needs, the characteristics of the overall market, the ability of low income households to afford, locate, and maintain housing and the availability of resources to address the identified needs. The City will continue to rely on low income census tracts and block groups in addition to other data supplied by HUD and city data to determine the areas of greatest need. Currently, funds are allocated citywide providing low income residents the opportunity to apply for much needed services.

# Affordable Housing

## AP-55 Affordable Housing – 91.220(g)

### Introduction

The City of Las Vegas will utilize CDBG, ESG, HOME and LIHTF funds to increase and sustain the number of affordable housing units, as well as help low-income residents, maintain their housing. The City monitors recipients of rental housing and inspections are conducted to ensure units meet the required standards. The City's affirmative marking policies and procedures mirror HUD's HOME affirmative marketing requirements and the city monitors recipients affirmative marking activates.

| One Year Goals for the Number of Households to be Supported | |
|---|---|
| Homeless | 18 |
| Non-Homeless | 80 |
| Special-Needs | 87 |
| Total | 185 |

**Table 9 - One Year Goals for Affordable Housing by Support Requirement**

| One Year Goals for the Number of Households Supported Through | |
|---|---|
| Rental Assistance | 105 |
| The Production of New Units | 80 |
| Rehab of Existing Units | 0 |
| Acquisition of Existing Units | 0 |
| Total | 185 |

**Table 10 - One Year Goals for Affordable Housing by Support Type**

### Discussion

The City will continue to work toward providing and maintaining affordable housing stock by assisting low-income residents with affordable units and rehabilitation programs, rental assistance, including placement is also provided through funding from our Emergency Solutions Grant (ESG) and Housing Opportunities for Persons with Aids (HOPWA)

## AP-60 Public Housing – 91.220(h)

### Introduction

### Actions planned during the next year to address the needs to public housing

The Southern Nevada Regional Housing Authority (SNRHA) continues to utilize its Capital Fund Program (CFP) for the required capital improvements. The SNRHA CFP Funds is one of the financing tools to fund comprehensive modernization and new construction under the Rental Assistance Demonstration (RAD) Program and Mixed Finance Program.

Following the ECT Master Plan the SNRHA submitted in May 2018 a 9% Low Income Housing Tax Credits Application and a Mixed-Finance Proposal to HUD and the NV Housing Division to develop one of the vacant lots. The proposed Wardelle Street Townhouses Project entails the financing for the new construction of approximately (57) family units, and a Community Center/Management Office/Maintenance.

Building to be located on a portion of the site of the former Ernie Cragin Terrace (NV210/AMP305portion off) public housing development located at the corner of Wardelle and Bonanza APN Nos 139-25-410-039/139-25-410-040 /139-25-410-041 totaling 7.73 acres. Approximately 1.5 acres fronting Bonanza Road or Harris Street will be available for future construction of the City of Las Vegas proposed Early Childhood Education Center. The City of Las Vegas has recently named this future center as the Strong Start Academy at Wardelle. The proposed unit mix will be 20-1 bedroom units, 27 2-bedroom units and 10 3-bedroom units which includes 20 public housing at <30% AMI, 22 project based vouchers (9 at <30% & 13 at <50% AMI), 15 tax credits (3 at <50% & 9 at <60% AMI) and 3 unrestrictive apartments targeted to low-income families continuing on their path to self-sufficiency. The creation of these townhomes will help meet the need for affordable housing in the City of Las Vegas and will complement the City's proposed plan for an early childhood educational facility and the County's new East Las Vegas Branch public library which is currently under construction on the adjacent parcel. The proposed Wardelle Street townhomes will serve as a stimulus for other developments in the vicinity and promote a more vibrant neighborhood environment. SNRHA will self-develop this project

A Request For Proposal was issued in February 2019 for General Contractor Construction Management Contract for the Comprehensive Modernization of a 200 Unit Senior Housing Complex at James Down Towers. The RFP closes the Spring of 2019. An architectural firm will be assigned by the SNRHA to work in conjunction with the General Contractor in providing a design to upgrade this facility.

The SNRHA has issued a Request For Qualifications for a Master Developer For Mixed Income Re-Development of Marble Manor. The developer will be required to provide a master plan, entitlement and environmental assessment for the redevelopment of the Marble Manor public housing site consistent with the UNLV HUNDRED YEAR Plan for the Historic Westside Community final report dated May 2016 and the City of Las Vegas Downtown Master Plan Vision 2045. This proposed redevelopment will occur on a site over 35 acres and introduce mixed-income housing and related

facilities adjacent to the downtown of the City of Las Vegas.

### Actions to encourage public housing residents to become more involved in management and participate in homeownership

Through 2018, the grant funded Resident Opportunities Self Sufficiency – Family Self Sufficiency (ROSS-FSS) program served 404 voluntary participants alongside 42 Housing Choice Voucher (HCV) mandatory participants. Escrow disbursements through that period totaled $299,088 to 41 graduates.

Southern Nevada Regional Housing Authority ( SNRHA) partners with over 50 agencies through the Program Coordinating Committee (PCC) empowering residents to gain resources and referrals for workforce development and employment training, financial literacy, education, social services, life skills training, healthcare, and more. The purpose of the PCC is to obtain and provide resources to address the challenges faced by FSS participants. Partnerships arrive through letters of agreement and Memorandums of Understanding (MOU). SNRHA expects to expand its Community Partners program with public, private, and faith-based agencies.

Some highlights in employment skill opportunities come through resident participation in the H.U.D. program titled “Section 3”. SNRHA residents are given opportunity to gain employable skill as they’re hired by local contractors providing services to SNRHA properties in the areas of construction and pest control. Skills obtained through this opportunity allow SNRHA residents to increase income breaking down a major barrier to home ownership.

T-Mobile partners with SNRHA to provide internet services and tablet computers to 600 residents allowing access to work search, training, personal financial transactions, and

SNRHA utilizes two programs allowing residents to access home ownership: Housing Choice Voucher Program; and, the Public Housing Program. Each program continues to assist low-income families to reach the dream of owning a home. The Section 8 Homeownership Program allows FSS Households to use Section 8 vouchers towards a home mortgage payment. Seminars are provided on home purchasing and staff provide credit counseling.

In the future SNRHA hopes to expand promote self-sufficiency and homeownership for residents, families, and the seniors served utilizing greater support from the private sector and community. The Southern Nevada Regional Housing Authority partners with

### If the PHA is designated as troubled, describe the manner in which financial assistance will be

**provided or other assistance**

The Southern Nevada Regional Housing Authority is not designated as troubled by HUD.

**Discussion**

## AP-65 Homeless and Other Special Needs Activities – 91.220(i)

### Introduction

The following sections describe how the City plans to address Homeless and Other Special Needs through its ongoing participation in Regional Homeless Coordination efforts and community partnerships.

### Describe the jurisdictions one-year goals and actions for reducing and ending homelessness including

### Reaching out to homeless persons (especially unsheltered persons) and assessing their individual needs

The City utilizes its ESG funds to support agencies who provide case management services; services include assessing the needs of homeless persons and assisting them with applying for mainstream public benefits including TANF, Food Stamps, Medicaid, SSI, SSD, and Veterans benefits. In addition, the City's ESG allocation will support eligible costs for engagement, case management, emergency health and mental health services, transportation, and services for special populations.

The City also contracts the Multi Agency Outreach Resources Engagement (MORE) Team who provides mobile intervention and outreach to individuals and families experiencing homelessness, including those who are living on the streets, in outlying uninhabited areas, and in the flood control tunnels. The team assesses individuals and families for service referrals; thereby connecting them with emergency shelter, housing or critical services, and providing them with urgent, non-facility based care. The team uses the Community Housing Assessment Tool to assess the extent of issues and then place the individuals on the community queue for housing placement.

Nevada Partnership for Homeless Youth, a City CDBG subrecipient and community partner, will provide crisis intervention services to vulnerable youth ages 12-18. Their services include mobile crisis intervention, a crisis hotline, linkages to services that meet their unique needs and circumstances. These services aid in equipping youth with tools and resources to address their immediate needs, thereby increasing their safety and stability. In addition, at the May 15, 2019 City Council Meeting the Las Vegas City Council adopted the Southern Nevada Plan to end Homelessness in which the City of Las Vegas was a collaborative partner.

### Addressing the emergency shelter and transitional housing needs of homeless persons

The City funds two shelters with ESG funding, HELP of Southern Nevada's Shannon West Homeless Youth Center which provides emergency shelter, transitional housing to homeless and at-risk youth ages 16 to 24; and The Shade Tree which provides safe and sanitary accommodations to homeless women, children and youth. ESG funds for the 2019-2020 PY will also continue to support both HELP of Southern

Nevada and The Salvation Army's rapid rehousing programs, which are designed to rehouse participants who have recently become homeless due to an unforeseen crisis.

The Courtyard was established as a safe environment for homeless individuals to access services and a safe place to sleep at night. As of August 2018, the Courtyard has stayed open 24 hours a day, 7 days a week. The City of Las Vegas also plans to expand the Courtyard, which will include a day center, showers, toilets and laundry facilities.

**Helping homeless persons (especially chronically homeless individuals and families, families with children, veterans and their families, and unaccompanied youth) make the transition to permanent housing and independent living, including shortening the period of time that individuals and families experience homelessness, facilitating access for homeless individuals and families to affordable housing units, and preventing individuals and families who were recently homeless from becoming homeless again**

The City is an active member of the Southern Nevada Homelessness(SNH) CoC Board and is involved in the regional strategic planning efforts to reduce chronic homelessness. The SNH CoC Board has adopted the HELP HOPE HOME Plan that provides guidance for regional planning efforts and reports progress toward regional establishes goals. The plan defines core strategies and details an implementation schedule to reduce homelessness. Those strategies and their objectives, along with the activities that support them, form our local agenda to reduce homelessness in Southern Nevada. Along with the agencies previously mentioned, the City also supports homeless prevention programs by funding Lutheran Social services and St. Jude's in providing serving homeless and at-risk individuals with rental assistance and permanent supportive housing.

Boys Town Nevada, a CDBG subrecipient and community partner, will provide family-centered case management services to homeless families. Services include assisting parents in navigating community, public, social and mental health services. These critical interventions aid in equipping families to successfully transition from homelessness to a home of their own, building protective factors and accessing health services, thereby increasing their self-sufficiency, well-being and safety. In working towards these goals, Boys Town Nevada will contribute to the city of Las Vegas' strategic priorities of reducing homelessness, increasing housing stability and improving access to supportive services.

Educational and skill supplementation for the City's homeless citizens is the objective of our CDBG recipient and community partner, The Salvation Army. They will provide vocational training services to homeless individuals and assist in accessing employment resources and opportunities to develop the skills needed to secure employment. These services aid in equipping the homeless population to secure employment that pays a living wage and permanent housing, thereby increasing their self-sufficiency.  Program participants will be referred to an agency owned apartment or other permanent

housing programs after securing employment.

As the City focuses on reducing homelessness, its ongoing partnership with Help of Southern Nevada remains an invaluable alliance for providing rapid rehousing for at risk homeless. Their services include short to medium term rental assistance and intensive case management. Their program also provides homeless prevention assistance to households at imminent risk of homelessness, which also includes short-term rental assistance and intensive case management.

**Helping low-income individuals and families avoid becoming homeless, especially extremely low-income individuals and families and those who are: being discharged from publicly funded institutions and systems of care (such as health care facilities, mental health facilities, foster care and other youth facilities, and corrections programs and institutions); or, receiving assistance from public or private agencies that address housing, health, social services, employment, education, or youth needs.**

The City works in conjunction with the multijurisdictional Continuum of Care team to implement a strategic and comprehensive response to the challenges of those with medical and behavioral health impairments in our community. This coalition comprises government agencies, the housing authority, Workforce Connections, law enforcement, faith-based organizations, business owners, social service providers, mental health agencies, hospitals, fire and rescue and homeless advocates.

Moreover, plans are underway for the City to expand its public outreach efforts and partnerships that service and bring awareness of reoccurring substance abuse, PTSD, access to mental health services and treatment, housing for citizens re-entering the community after incarceration and discharge from mental health and treatment facilities. Further, the City joined efforts with the Southern Nevada Adult Mental Health Coalition and is a part of Operation Deep Dive, a community-based Veteran Suicide Prevention Study.

The SNH CoC and City will continually explore the adverse impact incarceration has upon the homeless. Studies illustrate incarceration leads to disrupted families, limited economic prospects and criminal activity. In addition, the SNH CoC, in alliance with the Clark County Criminal Justice Coordinating Council and the NV Interagency Council on Homelessness, addresses issues amongst the homeless including mental health and substance abuse issues.

Clark County Law Foundation (CCLF) assists low- and moderate-income youth, ages 12-17 with opportunities to increase their knowledge of the legal system and create positive relationships with those involved. CCLF will engage eligible youth in one of three program activities: the defendant, peer counselor and/or juror. CCLF will provide youth defendants with court diversion services and an opportunity to serve as a juror and receive training to become peer counselors. All youth will also engage in community service activities. By providing hands-on experience with the legal system to eligible youth participants, the Clark County Law Foundation will reduce the playground to prison

pipeline and divert youth from entering the juvenile justice system. Services aid in reducing the number of non-violent offenders entering the juvenile justice system and strengthening the relationship between officers/legal professionals and youth, thereby creating a community-centered approach to diversion.

### Discussion

The City of Las Vegas is keenly aware of the complexity of homelessness, at-risk homeless, and the limited access to services they and very low, low and moderate-income families may encounter. Hence, with the overarching mission to reduce homelessness, it is imperative that self-sufficiency, vocational training, educational development, nutritional needs, senior advocacy, and the ill are connected to community resources that stabilize their conditions. Several of the agencies the City has and will continue to partner with provide intensive case management, independent living skills, job search assistance, development of a responsibility plan for families that helps homeless families with children return to sustainable housing, financial management, job placement, utilities assistance, and much more. All of these special services feed into the mission of reducing homelessness and promoting self-sufficiency.

## AP-70 HOPWA Goals– 91.220 (l)(3)

| One year goals for the number of households to be provided housing through the use of HOPWA for: | |
|---|---|
| | |
| Short-term rent, mortgage, and utility assistance to prevent homelessness of the individual or family | 100 |
| Tenant-based rental assistance | 50 |
| Units provided in permanent housing facilities developed, leased, or operated with HOPWA funds | 35 |
| Units provided in transitional short-term housing facilities developed, leased, or operated with HOPWA funds | 0 |
| Total | 185 |

## AP-75 Barriers to affordable housing – 91.220(j)

### Introduction:

The City's housing programs seek to increase affordable housing opportunities for low-income households. This is done in part by providing gap financing to create affordable rental housing and decreasing energy costs for low-income households through weatherization and energy conservation improvements.

### Actions it planned to remove or ameliorate the negative effects of public policies that serve as barriers to affordable housing such as land use controls, tax policies affecting land, zoning ordinances, building codes, fees and charges, growth limitations, and policies affecting the return on residential investment

See attachment for measures used to assist in maintain and developing affordable housing as required by NRS 278.235

The City will continue its partnership with unincorporated Clark County, City of North Las Vegas, and City of Henderson to conduct a planning process of the Assessment of Fair Housing. The City also provides both ESG & HOPWA funds for programs to assist low-income households with rent and homeowner rehabilitation services.

### Discussion:

## AP-85 Other Actions – 91.220(k)

### Introduction:

The City's longstanding goals to meet the needs of the underserved have been amplified due to COVID-19. Many of the City's citizens' employment has been reduced or terminated which leads to greater housing instability, economic distress, and food insecurity - especially among extremely low to moderate-income households. Since the vitality of the Las Vegas economy thrives on tourism, which was halted in March due to the pandemic, the City's allocation of CARES Act funds will be used to support the City's efforts to help its citizens maintain housing stability, receive much needed medical services, stabilize communities through economic development initiatives, and serve the special needs of its HIV/AIDs community.

### Actions planned to address obstacles to meeting underserved needs

The City will engage in the regional dialogue with the Southern Nevada Homelessness CoC, neighboring communities and service providers to identify and address the needs of the underserved. The SNH CoC is responsible for the regional implementation and evaluation of the HELP HOPE HOME plan to reduce homelessness; while, the City's Homelessness Advisory Committee focuses on connecting street homeless in the urban core to housing and services that provide safety, health and wellness.

The City is also operating The Courtyard 24 hours a day, 7 days a week and fills many major service gaps such as homeless services, housing assistance, medical and mental health, and employment and benefit assistance. The City will continue providing the Ticket to Home and homeless outreach program.

Catholic Charities will provide homeless outreach, intensive case management, and financial assistance to eligible citizens to help them obtain their identification and/or birth certificates which are items required for obtaining employment, housing or supportive services.

NPHY runs a Safe Place program that maintains and offers a crisis hotline available 24 hours a day, 7 days a week, 365 days a year with a staff of qualified individuals to serve at-risk youth on-call 24-7-365 for crisis response. When called, NPHY will dispatch staff to arrive at Safe Place sites, over 100 in Southern Nevada, within 30 minutes of a youth's arrival. Safe Place addresses many unserved youth with transportation, a means to immediately flee their unsafe situation, connect them to critical services and increase their sense of safety and stability.

### Actions planned to foster and maintain affordable housing

Currently, the City is considering two future projects, the rehabilitation of 125 units at 1720 Searles and the construction of 43 new units of affordable housing at 4445 Diamond Drive. The City is working diligently to expand its pool of available Community Housing Development Organizations and is working to identify other projects that will expand and maintain the affordable housing stock in the City of Las

Vegas.

Also, the City has continued to contract with Silver State Fair Housing Council to assist with fair housing education and outreach to housing providers and the community as a whole. Silver State will provide resources to residents, provide training for social service providers, and work individually with clients who may encounter inadequate housing, illness or disability.

### Actions planned to reduce lead-based paint hazards

The Las Vegas Lead Hazard Control and Healthy Homes Program (LVLHCHHP) is a 36-month collaborative effort between the City of La Vegas and sub-grantee, the University of Nevada, Las Vegas, Department of Environmental and Occupational Health (DEOH). The program is citywide but is targeting four key zip codes (89101, 89106, 89107, and 89108) in Las Vegas that are known to contain the oldest housing stock as well as underserved households with low income. The primary goal of the LVLHCHHP is to create lead-safe and healthy housing in Las Vegas and reduce the incidence of childhood lead poisoning. Over the next 12 months, the program is projected to evaluate 57 units for lead-based paint hazards and complete lead hazard control and healthy homes activities in 35 homes. Three staff members and five construction workers have received Environmental Protection Agency (EPA) training. The program will continue to provide community education concerning protecting their families from lead in housing and lead-safe work practices.

### Actions planned to reduce the number of poverty-level families

The City's continuous efforts to address poverty include funding of educational opportunities, employment training and other programs that assist low and moderate income families in achieving economic independence and self-sufficiency. The City has allocated over 1.5 million in ESG and HOPWA funding to reduce the number of poverty-level families and anti-poverty activities including but not limited to homeless prevention, rapid-rehousing, supportive services and case management to address the issues that are preventing families from moving towards independence. The City will continue to support Reinvent Schools Las Vegas that aims to increase academic achievement and provides wraparound services and family and community engagement at underperforming urban core schools. Another program aligned with reducing the number of poverty-level families is ESG sub recipient, Shannon West Homeless Youth Center. The predominant goal of the Center is to assist homeless and at-risk youth become productive and self-sufficient members of the community. They work to achieve their goals through multi-faceted services including, independent living, education and employment training and financial literacy.

Tech Impact, a City CDBG sub recipient, CXWorks' program purpose is to increase access to education, technical training, and employment opportunities for young adults and veterans who are underemployed or unemployed, disconnected from work and school, and face significant economic or social barriers to advancing in their careers and in life. The training program will provide 8 weeks of

intensive customer service and computer skills training, soft skills development, mentorship, and job preparation and placement assistance to help our students secure and retain in-demand jobs in a call center environment.

Another community partner and CDBG subrecipient is the Public Education Foundation. The will assist low and moderate-income parents and guardians with a no-cost 32-week Family Learning Program and access to financial literacy workshops to increase financial literacy and career skills. Services assist in equipping parents and guardians with the skills to assist their child with key educational concepts and advocate for their children academically, thereby increasing literacy rates and decreasing their achievement gap.

### Actions planned to develop institutional structure

The City collaborates and coordinates services and initiatives with a wide range of public and community social service agencies to meet and address the various needs of the community in the upcoming 2019-2020 program period. For instance, the City will continue to facilitate Technical Assistance workshops, providers' training, CDBG training, non-profit symposiums, and Silver State for Housing training. Moreover, the City will use CDBG funds to provide funding to agencies that service low and moderate-income residents with various different needs in the community. The City will also continue its active participation in the Consortium and Southern Nevada CoC meetings.

The City of Las Vegas is dedicated to allocating all grants funding in a manner that is socially responsible and efficient. Recently, the Office of Community Services has extended its grant cycle from one year to two years to allow for continued, uninterrupted support; existing grantees will be re-evaluated at the end of year one to determine if additional funding will be awarded which eliminates the need for a second round of competitive funding and creates a more efficient funding process; agencies can allocate more time and resources to continually improving the service delivery rather than starting and stopping each year; allows agencies to use the more stable funding pattern to better plan for multi-year efforts.

### Actions planned to enhance coordination between public and private housing and social service agencies

The City will continue to be an active member of the Southern Nevada Homelessness Continuum of Care, whose primary responsibility is the overall planning effort for the SNH CoC on homeless issues, and the Southern Nevada Consortium Meetings. These collaborative groups bring together local government jurisdictions along with the Regional Transportation Commission, the Clark County School District, the Metropolitan Police Department, Southern Nevada Adult Mental Health Services, and the Southern Nevada Regional Housing Authority, among others. Coordination with non-profit service providers and among governments takes place consistently through meetings held in the community to work together on grant applications for funding, the Emergency Food and Shelter Program and the State

of Nevada Housing Advisory Committee.

The city will continue coordination with the Homeless Advisory Committee in efforts to bring together local social service agencies, business providers, and local governments to discuss initiatives on homelessness and stakeholder concerns.

In addition to the aforementioned actions, the City will participate in various housing roundtables at local, state and federal levels to explore and address impediments to affordable housing.

**Discussion:**

The City is dedicated to allocating all grants funding in a manner that is socially responsible and efficient. Recently, the Office of Community Services has extended its grant cycle from one year to two years to allow for continued, uninterrupted support; existing grantees will be re-evaluated at the end of year one to determine if additional funding will be awarded which eliminates the need for a second round of competitive funding and creates a more efficient funding process; agencies can allocate more time and resources to continually improving the service delivery rather than starting and stopping each year; allows agencies to use the more stable funding pattern to better plan for multi-year efforts.

# Program Specific Requirements

## AP-90 Program Specific Requirements – 91.220(l)(1,2,4)

**Introduction:**

### Community Development Block Grant Program (CDBG)
### Reference 24 CFR 91.220(l)(1)

Projects planned with all CDBG funds expected to be available during the year are identified in the Projects Table. The following identifies program income that is available for use that is included in projects to be carried out.

| | |
|---|---|
| 1. The total amount of program income that will have been received before the start of the next program year and that has not yet been reprogrammed | 0 |
| 2. The amount of proceeds from section 108 loan guarantees that will be used during the year to address the priority needs and specific objectives identified in the grantee's strategic plan. | 0 |
| 3. The amount of surplus funds from urban renewal settlements | 0 |
| 4. The amount of any grant funds returned to the line of credit for which the planned use has not been included in a prior statement or plan | 133,578 |
| 5. The amount of income from float-funded activities | 0 |
| **Total Program Income:** | **133,578** |

### Other CDBG Requirements

| | |
|---|---|
| 1. The amount of urgent need activities | 0 |
| 2. The estimated percentage of CDBG funds that will be used for activities that benefit persons of low and moderate income.Overall Benefit - A consecutive period of one, two or three years may be used to determine that a minimum overall benefit of 70% of CDBG funds is used to benefit persons of low and moderate income. Specify the years covered that include this Annual Action Plan. | 80.00% |

### HOME Investment Partnership Program (HOME)
### Reference 24 CFR 91.220(l)(2)

1. A description of other forms of investment being used beyond those identified in Section 92.205 is

as follows:

The City will not use any forms of investment beyond those identified in 92.205

2. A description of the guidelines that will be used for resale or recapture of HOME funds when used for homebuyer activities as required in 92.254, is as follows:

   The City's homebuyer program activity only uses recapture provisions of 24 CFR 92.254 (a)(4)(ii). It is believed this approach is the closest to normal market approaches to financing, the easiest for borrowers to understand, enables the deed restriction requirements of the alternative option to be avoided (which we believe constitutes a barrier to private financing participation), and better enables HOME funds to be marketed in coordination with other private lending. The recapture approach essentially results in the ongoing commitment to maintain a homeownership program because of regulatory requirement concerning the reuse of recaptured HOME funds for homebuyer assistance activity has been the City's goal and is in keeping with the basic HOME Program Descriptions.

3. A description of the guidelines for resale or recapture that ensures the affordability of units acquired with HOME funds? See 24 CFR 92.254(a)(4) are as follows:

   The City utilizes recapture revisions to recoup all or a portion of the direct HOME subsidy to ensure the unit or units remain affordable. These requirements are detailed in the City's HOME program Manual and included as conditions in HOME funding agreements.

   All guidelines and requirements that address resale or recapture, as required in 92.254 of the HOME rule, are outlined in the City of Las Vegas' HOME Program Manual.

4. Plans for using HOME funds to refinance existing debt secured by multifamily housing that is rehabilitated with HOME funds along with a description of the refinancing guidelines required that will be used under 24 CFR 92.206(b), are as follows:

   The City of Las Vegas has no plans for using HOME funds to refinance existing debt secured by multifamily housing that is rehabilitated with HOME funds.

## Emergency Solutions Grant (ESG)
## Reference 91.220(l)(4)

1. Include written standards for providing ESG assistance (may include as attachment)

   Included as Attachment

2. If the Continuum of Care has established centralized or coordinated assessment system that

meets HUD requirements, describe that centralized or coordinated assessment system.

Service providers who receive HUD funding through the Southern Nevada Continuum of Care and ESG through the CLV are required to participate in the Coordinated Intake (CI) process. Homeless individuals are assessed using the Community Housing Assessment Tool (CHAT) during intake. CHAT is a standard assessment that evaluates the household's situation and identifies types of housing intervention to address the situation. Households are assigned a vulnerability score based on the CHAT and placed in the community queue of eligible households in ranked order. Community programs with housing availability retrieve households from the list in the community queue. There are two major hubs for the intake process: Clark County Social Services and the Veterans Administration Administrative Community Resource & Referral Center (CRCC) for homeless single veterans.

Client re-assessment takes place at the participant level and at the service provider level. Clients meet with case managers throughout their participation in the program, and have regular progress evaluations.

Clients assisted with ESG funds are entered into HMIS during client intake and agency must maintain a minimum HMIS data quality of 90%. Agencies who solely provide emergency shelter to victims of domestic violence, stalking, sexual abuse, and trafficking are exempt. In those cases, a comparable database is used that protects the identity and safety of clients.

3. Identify the process for making sub-awards and describe how the ESG allocation available to private nonprofit organizations (including community and faith-based organizations).

The City utilizes a Notice for Applications (NFA) process to aid in identifying the best organizations and projects to provide ESG services and uses ZoomGrants, an online application process for submissions, tracking and monitoring of grant awards. There are two opportunities for ESG applications workshops to provide technical assistance for those interested in applying for ESG funding.

The selection process involves the Community Development Recommending Board (CDRB) comprised of 13 members appointed by the City Council. The CDRB members represent the concerns and opinion of the community in advising the City on the allocation of ESG and other federal funds. Office of Community Services staff review the applications for eligibility and completeness prior to review by the CDRB.

Through a series of open public meetings, and with the assistance of the Office of Community

Services staff, the CDRB reviews applications, applicants, and makes recommendations based upon their perception of the community's needs. The CDRB uses a review process that includes a careful evaluation of each eligible applicant proposal within the context of program design and against program criteria and current objective, both nationally and those outlined in the City's Consolidated Plan. CDRB recommendations are presented to the Las Vegas City Council, a Public Hearing is held before the Las Vegas City Council and afterwards, a final selection of projects for application submission to HUD.

The following planning activities are the same each year although the timing may vary:

1. Identification of community development issues, needs, and concerns through community meetings and citizen input;
2. Formulation of community development goals and preliminary strategies, i.e. staff and citizens;
3. Dissemination of Grant Funds information to agencies and individuals
4. Submission of Project applications; and
5. Project Selection:

    i. Review of project applications by review committee and CDRB

    ii. Present recommendations of CDRB to the Las Vegas City Council

    iii. Public Hearing before the Las Vegas City Council and final selection of projects for application submission to HUD

4. If the jurisdiction is unable to meet the homeless participation requirement in 24 CFR 576.405(a), the jurisdiction must specify its plan for reaching out to and consulting with homeless or formerly homeless individuals in considering policies and funding decisions regarding facilities and services funded under ESG.

   The City participates in quarterly Consortium meetings where local jurisdictions confer on issues related to the Consolidated Plan and community trends, and issues surrounding regional homelessness. The City is also part of the Southern Nevada Homelessness CoC, which has a process in place for regional collaboration on homeless issues that includes discussion related to ESG funding, while respecting each individual political jurisdiction. The City will continue to provide a forum for citizens to contribute information, ideas, and input on service ideas and strategies on how residents can benefit from existing grant programs and services.

*5.* Describe performance standards for evaluating ESG.

The City evaluates the success of ESG programs by reviewing regional performance standards established by the SNH CoC that are captured and reported in the Southern Nevada Homeless Management Information System (HMIS). Agencies routinely enter homeless information in HMIS,

data is recorded in real-time, and is reviewed by staff. Reports from the system assist staff in ensuring ESG compliance with regulations, local written standards, and that program goals are being met.

ESG programs are also subject to "on-site monitoring." The SNH CoC has hired an External Monitoring Group to monitor the SNH CoC programs as well as ESG programs. This group has participated in over 30 federal grant evaluation designs, evaluation projects, and implementation of evaluation plans and evaluation of federally funded agencies. The basis for monitoring is to address findings and provide recommendations for program improvements.

The City of Las Vegas follows the same process for CDBG, ESG, and HOPWA grants. The City provides ongoing information for all grant programs at the following website: https://www.lasvegasnevada.gov/Residents/Grants. The City also encourages local non-profits, churches, and interested parties to sign up to an email notification list where agencies are notified of application enrollment and obtain a greater understanding of the process and requirements for available funding.

The City starts by using a Notice for Applications (NFA) process to help identify the best organizations and projects to provide HOPWA services. ZoomGrants is an online application portal utilized to submit and score applications. The City requires each applicant to attend a HOPWA application workshop, which provides technical assistance for those applying for HOPWA funds. The City works with the Community Development Recommending Board (CDRB) which is an advisory citizen group, appointed by City Council. The CDRB represents the concerns and opinions of the community. They score applications and make recommendations to City Council on the allocation of grant funding. Through a series of open public meeting and with the assistance of the Office of Community Services department, the CDRB reviews potential projects. The review process consists of examining changes in community need, exploring trends, and includes a careful evaluation of each eligible application proposal within the context of the grant. CDRB project recommendations are presented to the Las Vegas City Council during a public hearing. The final selection of projects is submitted to HUD.

The City continues to work with the local Ryan White office to encourage other agencies to apply for HOPWA funds. The City's coordinator is also a member of the Ryan White Planning Council in efforts to collaborate with other providers who assist people living with HIV/AIDS.

# *AGENDA SUMMARY PAGE*
**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**9**

**DEPARTMENT: Finance** **CONSENT**
**DIRECTOR: Venetta Appleyard**

**SUBJECT:**
For possible action to approve award of Bid No. 20.75681-JH (REV), Ogden Avenue - Main Street to Casino Center Boulevard, to the lowest responsive and responsible bidder - Department of Public Works - Award recommended to: LAS VEGAS PAVING CORPORATION ($5,000,000 - Road & Flood Capital Project Fund, Sanitation Enterprise Fund) - Ward 5 (Crear)

**FISCAL IMPACT:**
Budget Funds Available
Amount: $5,000,000
Funding Source: Road & Flood Capital Project Fund, Sanitation Enterprise Fund
Dept./Division: Public Works

**PURPOSE/BACKGROUND:**
This roadway project will consist of: roadway improvements including pavement restoration, roadway resurfacing and re striping, replacement of traffic signs, curb and gutter, sidewalk, driveways, sewer manhole rehabilitation, new waterline, landscape, and irrigation, new traffic signal and modification of existing traffic signals. This project also consists of installing Rectangular Rapid Flashing Beacon (RRFB) pedestrian crossing and Dynamic Message Sign (DMS) message boards. Las Vegas Paving Corporation is located in Las Vegas, Nevada

**RECOMMENDATION:**
Approve as recommended with signature authority granted to the Finance Director per R-20-2017.

**BACKUP DOCUMENTATION:**
1. Bid Abstract

**BID ABSTRACT**
**20.75681-JH (REV) Ogden Avenue - Main St to Casino Center**
**Bid Date: 6/16/2020**

**City of Las Vegas - Finance Department**
**Puchasing & Contracts Division**
**495 S. Main Street, 3rd Floor**
**Las Vegas, Nevada 89101**

| | | | | Las Vegas Paving Corp | | CG&B Enterprises Inc. | | Granite Construction Company | |
|---|---|---|---|---|---|---|---|---|---|
| Item # | Description | QTY | UOM | Unit Price | Extended Price | Unit Price | Extended Price | Unit Price | Extended Price |
| 1 | 105.01 CONTRACTOR QUALITY CONTROL | 1 | LS | $100,000.00 | $100,000.00 | $51,970.88 | $51,970.88 | $175,000.00 | $175,000.00 |
| 2 | 107.01 PUBLIC OUTREACH | 1 | FA | $10,000.00 | $10,000.00 | $10,000.00 | $10,000.00 | $10,000.00 | $10,000.00 |
| 3 | 109.01 CONSTRUCTION CONFLICTS AND ADDITIONAL WORK ALLOWANCE | 1 | ALLOWANCE | $441,100.00 | $441,100.00 | $441,100.00 | $441,100.00 | $441,100.00 | $441,100.00 |
| 4 | 109.02 OWNER INITIATED TIME EXTENSION ALLOWANCE | 30 | DAY | $500.00 | $15,000.00 | $500.00 | $15,000.00 | $500.00 | $15,000.00 |
| 5 | 109.03 OWNER INITIATED TIME EXTENSION AMOUNT IN ADDITION TO ALLOWANCE | 30 | DAY | $50.00 | $1,500.00 | $1,400.00 | $42,000.00 | $500.00 | $15,000.00 |
| 6 | 200.01 MOBILIZATION AND DEMOBILIZATION | 1 | LS | $211,913.08 | $211,913.08 | $432,982.41 | $432,982.41 | $534,704.00 | $534,704.00 |
| 7 | 202.01 REMOVAL OF SIDEWALK | 22450 | SF | $3.50 | $78,575.00 | $2.20 | $49,390.00 | $1.10 | $24,695.00 |
| 8 | 202.02 REMOVAL OF CROSS GUTTER | 690 | SF | $11.50 | $7,935.00 | $6.04 | $4,167.60 | $4.50 | $3,105.00 |
| 9 | 202.03 REMOVAL OF DRIVEWAY | 650 | SF | $12.20 | $7,930.00 | $5.98 | $3,887.00 | $3.25 | $2,112.50 |
| 10 | 202.04 REMOVAL OF SPANDREL | 170 | SF | $26.00 | $4,420.00 | $8.08 | $1,373.60 | $7.75 | $1,317.50 |
| 11 | 202.05 REMOVAL OF TYPE L CURB AND GUTTER | 2170 | LF | $14.50 | $31,465.00 | $6.59 | $14,300.30 | $5.50 | $11,935.00 |
| 12 | 202.06 REMOVAL OF DROP INLET | 2 | EA | $2,700.00 | $5,400.00 | $2,746.17 | $5,492.34 | $875.00 | $1,750.00 |
| 13 | 202.07 REMOVE WATER METER | 1 | EA | $1,900.00 | $1,900.00 | $3,097.09 | $3,097.09 | $377.00 | $377.00 |
| 14 | 202.08 REMOVE FIRE HYDRANT AND ABANDON SERVICE LATERAL | 1 | EA | $6,000.00 | $6,000.00 | $3,097.09 | $3,097.09 | $908.00 | $908.00 |
| 15 | 202.09 REMOVE BACKFLOW ASSEMBLY | 1 | EA | $2,000.00 | $2,000.00 | $617.58 | $617.58 | $388.00 | $388.00 |
| 16 | 202.10 REMOVE TREE (18" TO 4" DIAMETER) | 12 | EA | $2,000.00 | $24,000.00 | $196.94 | $2,363.28 | $995.00 | $11,940.00 |
| 17 | 202.11 REMOVE TRAFFIC PULL BOX | 12 | EA | $450.00 | $5,400.00 | $118.25 | $1,419.00 | $418.00 | $5,016.00 |
| 18 | 202.12 REMOVE FIBER OPTIC PULL BOX | 1 | EA | $450.00 | $450.00 | $462.25 | $462.25 | $418.00 | $418.00 |
| 19 | 202.13 REMOVE FIBER OPTIC VAULT | 1 | EA | $1,250.00 | $1,250.00 | $752.50 | $752.50 | $1,200.00 | $1,200.00 |
| 20 | 202.14 REMOVE STREETLIGHT PULL BOX | 5 | EA | $220.00 | $1,100.00 | $107.50 | $537.50 | $210.00 | $1,050.00 |
| 21 | 202.15 REMOVE AND SALVAGE EXISTING STREET LIGHT ASSEMBLY | 9 | EA | $760.00 | $6,840.00 | $526.75 | $4,740.75 | $1,290.00 | $11,610.00 |
| 22 | 202.16 REMOVE EXISTING STREET LIGHT CONDUIT AND CONDUCTORS | 1470 | LF | $1.85 | $2,719.50 | $0.81 | $1,190.70 | $2.00 | $2,940.00 |
| 23 | 202.17 REMOVE DMS SIGN AND STRUCTURE | 1 | LS | $4,000.00 | $4,000.00 | $7,331.50 | $7,331.50 | $4,600.00 | $4,600.00 |

**BID ABSTRACT**
**20.75681-JH (REV) Ogden Avenue - Main St to Casino Center**
**Bid Date: 6/16/2020**

**City of Las Vegas - Finance Department**
**Puchasing & Contracts Division**
**495 S. Main Street, 3rd Floor**
**Las Vegas, Nevada 89101**

| | | | | Las Vegas Paving Corp | | CG&B Enterprises Inc. | | Granite Construction Company | |
|---|---|---|---|---|---|---|---|---|---|
| Item # | Description | QTY | UOM | Unit Price | Extended Price | Unit Price | Extended Price | Unit Price | Extended Price |
| 24 | 202.18 REMOVE PERMANENT SIGN (GROUND MOUNTED) | 14 | EA | $38.00 | $532.00 | $53.75 | $752.50 | $37.00 | $518.00 |
| 25 | 202.19 REMOVE PERMANENT SIGN (PANELS ONLY) | 31 | EA | $38.00 | $1,178.00 | $43.00 | $1,333.00 | $37.00 | $1,147.00 |
| 26 | 202.20 REMOVE AND SALVAGE PARKING METER | 3 | EA | $540.00 | $1,620.00 | $258.06 | $774.18 | $500.00 | $1,500.00 |
| 27 | 202.21 REMOVE AND RESET PARKING METER | 3 | EA | $1,100.00 | $3,300.00 | $588.12 | $1,764.36 | $1,000.00 | $3,000.00 |
| 28 | 202.22 REMOVE AND RESET BIKE RACK | 1 | EA | $1,100.00 | $1,100.00 | $381.67 | $381.67 | $570.00 | $570.00 |
| 29 | 202.23 REMOVE AND RELOCATE OF TRASH RECEPTACLE | 5 | EA | $550.00 | $2,750.00 | $154.84 | $774.20 | $114.00 | $570.00 |
| 30 | 202.24 REMOVE STORM DRAIN MANHOLE | 1 | EA | $5,400.00 | $5,400.00 | $2,308.58 | $2,308.58 | $1,740.00 | $1,740.00 |
| 31 | 202.25 REMOVE ACP STORM DRAIN | 50 | LF | $360.00 | $18,000.00 | $277.96 | $13,898.00 | $85.00 | $4,250.00 |
| 32 | 202.26 REMOVAL OF ASPHALT PAVEMENT | 7240 | SY | $12.60 | $91,224.00 | $10.75 | $77,830.00 | $10.00 | $72,400.00 |
| 33 | 202.27 REMOVAL OF PORTLAND CEMENT CONCRETE PAVEMENT | 280 | SF | $16.00 | $4,480.00 | $5.74 | $1,607.20 | $5.00 | $1,400.00 |
| 34 | 202.28 GRINDING BITUMINOUS SURFACE (1-INCH) | 830 | SY | $10.50 | $8,715.00 | $12.90 | $10,707.00 | $3.50 | $2,905.00 |
| 35 | 202.29 GRINDING BITUMINOUS SURFACE (1-1/2-INCH) | 1350 | SY | $7.10 | $9,585.00 | $8.60 | $11,610.00 | $3.25 | $4,387.50 |
| 36 | 202.30 GRINDING BITUMINOUS SURFACE (3-INCH) | 1900 | SY | $10.30 | $19,570.00 | $12.90 | $24,510.00 | $5.10 | $9,690.00 |
| 37 | 202.31 ABANDON EXISTING WATERLINE | 500 | LF | $26.00 | $13,000.00 | $20.42 | $10,210.00 | $2.50 | $1,250.00 |
| 38 | 202.32 ABANDON EXISTING WATER VALVE | 1 | EA | $820.00 | $820.00 | $426.54 | $426.54 | $700.00 | $700.00 |
| 39 | 208.01 PERMANENT PATCH | 1360 | SY | $35.00 | $47,600.00 | $40.85 | $55,556.00 | $73.00 | $99,280.00 |
| 40 | 212.01 TREES - 48-INCH BOX | 17 | EA | $2,500.00 | $42,500.00 | $806.25 | $13,706.25 | $3,050.00 | $51,850.00 |
| 41 | 212.02 TREE GRATE AND FRAME (4-FOOT BY 4-FOOT) | 3 | EA | $2,270.00 | $6,810.00 | $3,297.02 | $9,891.06 | $1,980.00 | $5,940.00 |
| 42 | 212.03 TREE GRATE AND FRAME (5-FOOT BY 8-FOOT) | 17 | EA | $4,700.00 | $79,900.00 | $4,396.75 | $74,744.75 | $4,115.00 | $69,955.00 |
| 43 | 213.01 RELOCATE IRRIGATION CONTROLLER | 1 | LS | $11,200.00 | $11,200.00 | $16,125.00 | $16,125.00 | $6,950.00 | $6,950.00 |
| 44 | 213.02 IRRIGATION DRIP VALVE ZONE KIT | 1 | LS | $1,700.00 | $1,700.00 | $8,062.50 | $8,062.50 | $920.00 | $920.00 |
| 45 | 213.03 DRIP IRRIGATION SYSTEM | 1 | LS | $21,000.00 | $21,000.00 | $93,720.65 | $93,720.65 | $62,500.00 | $62,500.00 |
| 46 | 302.01 TYPE II AGGREGATE BASE | 250 | CY | $150.00 | $37,500.00 | $95.91 | $23,977.50 | $50.00 | $12,500.00 |

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**495 S. Main Street, 3rd Floor**
**Las Vegas, Nevada 89101**

| | | | | Las Vegas Paving Corp | | CG&B Enterprises Inc. | | Granite Construction Company | |
|---|---|---|---|---|---|---|---|---|---|
| Item # | Description | QTY | UOM | Unit Price | Extended Price | Unit Price | Extended Price | Unit Price | Extended Price |
| 47 | 402.01 (2-INCH) PLANTMIX BITUMINOUS SURFACE | 1380 | SY | $20.20 | $27,876.00 | $23.65 | $32,637.00 | $28.00 | $38,640.00 |
| 48 | 402.02 (3-INCH) PLANTMIX BITUMINOUS SURFACE | 1900 | SY | $20.40 | $38,760.00 | $24.19 | $45,961.00 | $25.00 | $47,500.00 |
| 49 | 402.03 (4-INCH) PLANTMIX BITUMINOUS SURFACE | 750 | SY | $27.00 | $20,250.00 | $32.25 | $24,187.50 | $30.00 | $22,500.00 |
| 50 | 402.04 (5-INCH) PLANTMIX BITUMINOUS SURFACE | 310 | SY | $51.00 | $15,810.00 | $59.12 | $18,327.20 | $40.00 | $12,400.00 |
| 51 | 402.05 (6-INCH) PLANTMIX BITUMINOUS SURFACE | 5340 | SY | $33.50 | $178,890.00 | $39.24 | $209,541.60 | $45.00 | $240,300.00 |
| 52 | 402.06 (6.5-INCH) PLANTMIX BITUMINOUS SURFACE | 730 | SY | $60.00 | $43,800.00 | $68.80 | $50,224.00 | $55.00 | $40,150.00 |
| 53 | 409.01 PORTLAND CEMENT CONCRETE PAVEMENT (10-INCH) | 20 | SY | $172.00 | $3,440.00 | $363.37 | $7,267.40 | $71.00 | $1,420.00 |
| 54 | 413.01 1-INCH UTACS BONDED WITH A PMM, S3 GRADATION | 6160 | SY | $9.30 | $57,288.00 | $11.29 | $69,546.40 | $10.00 | $61,600.00 |
| 55 | 603.01 (12-INCH) C900 PVC PIPE (STORM DRAIN) | 50 | LF | $422.00 | $21,100.00 | $315.69 | $15,784.50 | $203.00 | $10,150.00 |
| 56 | 609.01 4-FOOT TYPE A DROP INLET | 2 | EA | $13,000.00 | $26,000.00 | $10,808.68 | $21,617.36 | $5,610.00 | $11,220.00 |
| 57 | 609.02 VERTICAL ADJUST MANHOLE COVER | 2 | EA | $2,450.00 | $4,900.00 | $1,236.23 | $2,472.46 | $1,250.00 | $2,500.00 |
| 58 | 613.01 TYPE A CURB | 240 | LF | $47.00 | $11,280.00 | $33.44 | $8,025.60 | $15.00 | $3,600.00 |
| 59 | 613.02 MODIFIED CONCRETE MEDIAN | 1050 | SF | $15.00 | $15,750.00 | $21.07 | $22,123.50 | $10.00 | $10,500.00 |
| 60 | 613.03 TYPE L CURB AND GUTTER | 1620 | LF | $35.50 | $57,510.00 | $28.97 | $46,931.40 | $20.00 | $32,400.00 |
| 61 | 613.04 MODIFIED TYPE L CURB AND GUTTER | 140 | LF | $73.00 | $10,220.00 | $39.21 | $5,489.40 | $41.25 | $5,775.00 |
| 62 | 613.05 CONCRETE SIDEWALK | 16250 | SF | $11.00 | $178,750.00 | $8.13 | $132,112.50 | $9.00 | $146,250.00 |
| 63 | 613.06 MODIFIED CONCRETE SIDEWALK | 2110 | SF | $13.50 | $28,485.00 | $9.38 | $19,791.80 | $13.00 | $27,430.00 |
| 64 | 613.07 12-INCH BY 12-INCH SIDEWALK PAVERS | 1030 | SF | $28.00 | $28,840.00 | $41.88 | $43,136.40 | $14.00 | $14,420.00 |
| 65 | 613.08 CONCRETE COMMERCIAL DRIVEWAY (OPTION A) | 3130 | SF | $17.50 | $54,775.00 | $14.82 | $46,386.60 | $12.00 | $37,560.00 |
| 66 | 613.09 CONCRETE ALLEY / DRIVEWAY | 790 | SF | $22.00 | $17,380.00 | $15.92 | $12,576.80 | $15.00 | $11,850.00 |
| 67 | 613.10 CONCRETE CROSS GUTTER | 710 | SF | $21.50 | $15,265.00 | $18.44 | $13,092.40 | $14.00 | $9,940.00 |
| 68 | 613.11 CONCRETE SPANDREL | 360 | SF | $30.00 | $10,800.00 | $22.72 | $8,179.20 | $14.00 | $5,040.00 |
| 69 | 613.12 CLEAN AND PRESSURE WASH SIDEWALK | 1 | LS | $4,500.00 | $4,500.00 | $11,874.24 | $11,874.24 | $7,200.00 | $7,200.00 |

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**Las Vegas, Nevada 89101**

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|---|---|---|---|---|---|---|---|---|---|
| Item # | Description | QTY | UOM | Unit Price | Extended Price | Unit Price | Extended Price | Unit Price | Extended Price |
| 70 | 613.13 SIDEWALK DRAIN | 3 | EA | $4,000.00 | $12,000.00 | $4,879.39 | $14,638.17 | $3,700.00 | $11,100.00 |
| 71 | 613.14 MODIFIED SIDEWALK DRAIN | 7 | EA | $5,350.00 | $37,450.00 | $4,342.30 | $30,396.10 | $970.00 | $6,790.00 |
| 72 | 622.01 CONSTRUCTION SURVEYING | 1 | LS | $100,000.00 | $100,000.00 | $32,250.00 | $32,250.00 | $67,000.00 | $67,000.00 |
| 73 | 623.01 TRAFFIC SIGNAL INSTALLATION AT 1ST ST/OGDEN AVE | 1 | LS | $250,000.00 | $250,000.00 | $313,533.42 | $313,533.42 | $240,000.00 | $240,000.00 |
| 74 | 623.02 TRAFFIC SIGNAL MODIFICATION AT CASINO CENTER BLVD/OGDEN AVE | 1 | LS | $220,000.00 | $220,000.00 | $328,472.70 | $328,472.70 | $215,000.00 | $215,000.00 |
| 75 | 623.03 TRAFFIC SIGNAL MODIFICATION AT MAIN ST/OGDEN AVE | 1 | LS | $24,000.00 | $24,000.00 | $36,765.00 | $36,765.00 | $23,000.00 | $23,000.00 |
| 76 | 623.04 TRAFFIC SIGNAL MODIFICATION AT CASINO CENTER BLVD/STEWART AVE | 1 | LS | $21,000.00 | $21,000.00 | $23,058.75 | $23,058.75 | $22,000.00 | $22,000.00 |
| 77 | 623.05 PEDESTRIAN FLASHING BEACON ASSEMBLY AT 1ST ST/OGDEN AVE | 1 | LS | $26,500.00 | $26,500.00 | $40,344.75 | $40,344.75 | $26,000.00 | $26,000.00 |
| 78 | 623.06 160W/110W DOUBLE-ARM LED STREETLIGHT ASSEMBLY AND FOUNDATION | 9 | EA | $10,800.00 | $97,200.00 | $12,427.00 | $111,843.00 | $10,500.00 | $94,500.00 |
| 79 | 623.07 200 AMP PAD MOUNTED SERVICE PEDESTAL | 3 | EA | $5,200.00 | $15,600.00 | $7,482.00 | $22,446.00 | $5,000.00 | $15,000.00 |
| 80 | 623.08 NO. 5 PULL BOX (STREET LIGHT) | 3 | EA | $500.00 | $1,500.00 | $483.75 | $1,451.25 | $420.00 | $1,260.00 |
| 81 | 623.09 P30 PULL BOX WITH "FIBER OPTIC CLV" ON LID | 11 | EA | $800.00 | $8,800.00 | $2,472.50 | $27,197.50 | $75.00 | $825.00 |
| 82 | 623.10 P30 PULL BOX WITH "FAST" ON LID | 11 | EA | $800.00 | $8,800.00 | $1,612.50 | $17,737.50 | $730.00 | $8,030.00 |
| 83 | 623.11 T200 SPLICE VAULT WITH "FIBER OPTIC CLV" ON LID | 4 | EA | $5,000.00 | $20,000.00 | $7,933.50 | $31,734.00 | $4,800.00 | $19,200.00 |
| 84 | 623.12 T200 SPLICE VAULT WITH "FAST" ON LID | 2 | EA | $5,000.00 | $10,000.00 | $8,535.50 | $17,071.00 | $4,800.00 | $9,600.00 |
| 85 | 623.13 2-INCH CONDUIT | 1310 | LF | $21.60 | $28,296.00 | $26.98 | $35,343.80 | $21.00 | $27,510.00 |
| 86 | 623.14 4-INCH CONDUIT (CLV FO) WITH HERCULINE TRACEABLE PULL TAPE | 4190 | LF | $28.00 | $117,320.00 | $28.60 | $119,834.00 | $28.00 | $117,320.00 |
| 87 | 623.15 4-INCH CONDUIT (FAST) WITH 6 PAIR PE39 NO. 22 AWG CABLE | 890 | LF | $32.50 | $28,925.00 | $35.58 | $31,666.20 | $32.00 | $28,480.00 |
| 88 | 623.16 NO. 4 CONDUCTOR | 5260 | LF | $2.70 | $14,202.00 | $1.72 | $9,047.20 | $2.60 | $13,676.00 |
| 89 | 623.17 NO. 8 CONDUCTOR | 3620 | LF | $2.00 | $7,240.00 | $0.97 | $3,511.40 | $2.00 | $7,240.00 |
| 90 | 623.18 TYPE 2 DYNAMIC MESSAGE SIGN (DMS) STRUCTURE AND DAKTRONICS SIGN | 3 | LS | $71,000.00 | $213,000.00 | $69,230.00 | $207,690.00 | $72,000.00 | $216,000.00 |
| 91 | 623.19 T200 SPLICE VAULT (TORSION LID) | 2 | EA | $5,000.00 | $10,000.00 | $5,052.50 | $10,105.00 | $4,800.00 | $9,600.00 |
| 92 | 623.20 4-INCH CONDUIT (DMS) | 390 | LF | $32.50 | $12,675.00 | $27.63 | $10,775.70 | $32.00 | $12,480.00 |

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| 93 | 623.21 TAXES FOR OWNER SUPPLIED ITEMS | 1 | LS | $4,594.42 | $4,594.42 | $4,594.42 | $4,594.42 | $4,594.42 | $4,594.42 |
| 94 | 624.01 TRAFFIC CONTROL AND MAINTENANCE | 1 | LS | $364,000.00 | $364,000.00 | $92,659.62 | $92,659.62 | $295,000.00 | $295,000.00 |
| 95 | 627.01 PERMANENT SIGN (GROUND MOUNTED) | 20 | EA | $180.00 | $3,600.00 | $327.88 | $6,557.60 | $180.00 | $3,600.00 |
| 96 | 627.02 PERMANENT SIGN (PANEL ONLY) | 26 | EA | $180.00 | $4,680.00 | $145.12 | $3,773.12 | $180.00 | $4,680.00 |
| 97 | 628.01 4-INCH SOLID WHITE LINE (POLYUREA) | 1190 | LF | $0.80 | $952.00 | $0.64 | $761.60 | $1.00 | $1,190.00 |
| 98 | 628.02 6-INCH SOLID WHITE LINE (POLYUREA) | 170 | LF | $1.10 | $187.00 | $1.88 | $319.60 | $2.00 | $340.00 |
| 99 | 628.03 12-INCH SOLID WHITE LINE (CROSSWALK) (THERMOPLASTIC) | 1040 | LF | $8.00 | $8,320.00 | $6.99 | $7,269.60 | $8.00 | $8,320.00 |
| 100 | 628.04 24-INCH SOLID WHITE LINE (STOP BAR) (THERMOPLASTIC) | 760 | SF | $8.00 | $6,080.00 | $6.99 | $5,312.40 | $8.00 | $6,080.00 |
| 101 | 628.05 TYPE 2 FILM (24-INCH SOLID WHITE LINE) (CROSSWALK) | 600 | SF | $7.00 | $4,200.00 | $5.38 | $3,228.00 | $7.00 | $4,200.00 |
| 102 | 628.06 TYPE 4 LANE LINE (POLYUREA) | 1230 | LF | $0.60 | $738.00 | $0.43 | $528.90 | $0.75 | $922.50 |
| 103 | 628.07 8-INCH SOLID WHITE LINE (STORAGE LINE) (POLYUREA) | 1010 | LF | $1.60 | $1,616.00 | $1.40 | $1,414.00 | $1.55 | $1,565.50 |
| 104 | 628.08 TYPE 1 CENTERLINE (POLYUREA) | 1970 | LF | $1.60 | $3,152.00 | $1.40 | $2,758.00 | $1.55 | $3,053.50 |
| 105 | 628.09 TYPE 2 CENTERLINE (POLYUREA) | 430 | LF | $1.00 | $430.00 | $1.24 | $533.20 | $1.50 | $645.00 |
| 106 | 628.10 8 INCH X 3-FEET SKIP LINE (POLYUREA) | 150 | LF | $0.60 | $90.00 | $1.08 | $162.00 | $1.00 | $150.00 |
| 107 | 628.11 CAT TRACKS (THERMOPLASTIC) | 120 | LF | $3.00 | $360.00 | $5.32 | $638.40 | $3.25 | $390.00 |
| 108 | 628.12 WHITE YIELD BAR (THERMOPLASTIC) | 80 | SF | $8.00 | $640.00 | $26.88 | $2,150.40 | $10.00 | $800.00 |
| 109 | 628.13 ARROWS (THERMOPLASTIC) | 38 | EA | $140.00 | $5,320.00 | $231.12 | $8,782.56 | $150.00 | $5,700.00 |
| 110 | 628.14 "ONLY" (THERMOPLASTIC) | 1 | EA | $180.00 | $180.00 | $279.50 | $279.50 | $180.00 | $180.00 |
| 111 | 628.15 REFLECTIVE RED PAINT (NO PARKING) | 1280 | LF | $1.50 | $1,920.00 | $1.08 | $1,382.40 | $2.00 | $2,560.00 |
| 112 | 628.16 REFLECTIVE YELLOW MEDIAN PAINT | 1130 | SF | $1.50 | $1,695.00 | $1.08 | $1,220.40 | $2.00 | $2,260.00 |
| 113 | 628.17 REFLECTIVE WHITE MEDIAN PAINT | 80 | SF | $1.50 | $120.00 | $1.08 | $86.40 | $2.00 | $160.00 |
| 114 | 628.18 REFLECTIVE YELLOW CURB PAINT (POLYUREA) | 320 | LF | $7.00 | $2,240.00 | $9.51 | $3,043.20 | $8.00 | $2,560.00 |
| 115 | 628.19 "SHARED LANE MARKING" (THERMOPLASTIC) | 1 | EA | $170.00 | $170.00 | $397.75 | $397.75 | $155.00 | $155.00 |

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| 116 | 628.20 SOLID WHITE (VARIES) (POLYUREA) | 110 | SF | $7.00 | $770.00 | $5.38 | $591.80 | $8.00 | $880.00 |
| 117 | 628.21 12-INCH SOLID YELLOW LINE (THERMOPLASTIC) | 30 | LF | $8.00 | $240.00 | $7.52 | $225.60 | $8.00 | $240.00 |
| 118 | 628.22 K-71 MARKER POST | 1 | EA | $250.00 | $250.00 | $241.88 | $241.88 | $275.00 | $275.00 |
| 119 | 628-1.01 DECORATIVE CROSSWALK MARKINGS | 5490 | SF | $15.80 | $86,742.00 | $17.74 | $97,392.60 | $18.00 | $98,820.00 |
| 120 | 629.01 12-INCH C900 PVC PIPE | 970 | LF | $240.00 | $232,800.00 | $131.50 | $127,555.00 | $78.00 | $75,660.00 |
| 121 | 629.02 8-INCH GATE VALVE | 3 | EA | $3,900.00 | $11,700.00 | $2,450.96 | $7,352.88 | $4,100.00 | $12,300.00 |
| 122 | 629.03 12-INCH GATE VALVE | 2 | EA | $5,250.00 | $10,500.00 | $2,896.27 | $5,792.54 | $8,200.00 | $16,400.00 |
| 123 | 629.04 2-INCH BLOW-OFF ASSEMBLY AND PIPING | 2 | EA | $2,200.00 | $4,400.00 | $3,288.80 | $6,577.60 | $3,300.00 | $6,600.00 |
| 124 | 629.05 24-INCH STEEL CASING PROTECTION | 50 | LF | $680.00 | $34,000.00 | $278.84 | $13,942.00 | $400.00 | $20,000.00 |
| 125 | 629.06 1-INCH WATER SERVICE LATERAL AND METER | 1 | EA | $12,550.00 | $12,550.00 | $2,863.50 | $2,863.50 | $4,300.00 | $4,300.00 |
| 126 | 629.07 1-INCH BACKFLOW ASSEMBLY AND APPURTENANCES | 1 | EA | $7,200.00 | $7,200.00 | $4,522.87 | $4,522.87 | $1,800.00 | $1,800.00 |
| 127 | 629.08 FIRE HYDRANT ASSEMBLY, VALVES, FITTINGS AND LATERAL | 2 | EA | $15,200.00 | $30,400.00 | $8,906.29 | $17,812.58 | $13,000.00 | $26,000.00 |
| 128 | 629.09 REPLACE 8-INCH ACP WATERLINE WITH DUCTILE IRON PIPE | 30 | LF | $670.00 | $20,100.00 | $589.01 | $17,670.30 | $240.00 | $7,200.00 |
| 129 | 629.10 CUT AND CAP EXISTING 12-INCH ACP WATERLINE | 2 | EA | $1,710.00 | $3,420.00 | $3,934.09 | $7,868.18 | $2,580.00 | $5,160.00 |
| 130 | 629.11 VERTICAL ADJUST WATER VALVE BOX TO FINISHED GRADE | 5 | EA | $1,100.00 | $5,500.00 | $521.53 | $2,607.65 | $800.00 | $4,000.00 |
| 131 | 629.12 VERTICAL ADJUST WATER MANHOLE TO FINISHED GRADE | 1 | EA | $2,050.00 | $2,050.00 | $1,236.24 | $1,236.24 | $1,800.00 | $1,800.00 |
| 132 | 629.13 12-INCH POLY WRAPPED CLASS 350 DUCTILE IRON PIPE | 160 | LF | $385.00 | $61,600.00 | $574.82 | $91,971.20 | $321.00 | $51,360.00 |
| 133 | 630.01 SANITARY SEWER MANHOLE FRAME AND COVER | 15 | EA | $670.00 | $10,050.00 | $1,643.33 | $24,649.95 | $1,575.00 | $23,625.00 |
| 134 | 633.01 BLUE REFLECTIVE RAISED FIRE HYDRANT ID PAVEMENT MARKERS | 3 | EA | $15.00 | $45.00 | $21.50 | $64.50 | $21.00 | $63.00 |
| 135 | 633.02 REFLECTIVE RAISED MEDIAN MARKERS | 20 | EA | $9.00 | $180.00 | $5.38 | $107.60 | $9.00 | $180.00 |
| 136 | 635.01 VEHICULAR TRAFFIC DETECTION ZONE | 90 | DAY | $60.00 | $5,400.00 | $86.00 | $7,740.00 | $124.00 | $11,160.00 |
| 137 | 635.02 PTZ CAMERA | 90 | DAY | $170.00 | $15,300.00 | $80.62 | $7,255.80 | $124.00 | $11,160.00 |
| 138 | 635.03 GPS ARROW BOARD | 90 | DAY | $45.00 | $4,050.00 | $96.75 | $8,707.50 | $75.00 | $6,750.00 |

**BID ABSTRACT**
**20.75681-JH (REV) Ogden Avenue - Main St to Casino Center**
**Bid Date: 6/16/2020**

**City of Las Vegas - Finance Department**
**Puchasing & Contracts Division**
**495 S. Main Street, 3rd Floor**
**Las Vegas, Nevada 89101**

| | | | | Las Vegas Paving Corp | | CG&B Enterprises Inc. | | Granite Construction Company | |
|---|---|---|---|---|---|---|---|---|---|
| Item # | Description | QTY | UOM | Unit Price | Extended Price | Unit Price | Extended Price | Unit Price | Extended Price |
| 139 | 635.04 GPS LOCATED TRAFFIC CONTROL DEVICE | 90 | DAY | $12.00 | $1,080.00 | $43.00 | $3,870.00 | $19.00 | $1,710.00 |
| 140 | 635.05 TRAVEL TIME TRAFFIC ANALYTICS SYSTEM | 90 | DAY | $56.00 | $5,040.00 | $258.00 | $23,220.00 | $378.00 | $34,020.00 |
| 141 | 635.06 SPEED FEEDBACK SIGN | 90 | DAY | $56.00 | $5,040.00 | $32.25 | $2,902.50 | $50.00 | $4,500.00 |
| 142 | 635.07 WORK ZONE ITS CHANGEABLE MESSAGE SIGN | 90 | DAY | $200.00 | $18,000.00 | $193.50 | $17,415.00 | $130.00 | $11,700.00 |
| 143 | 635.08 VEHICLE PRESENCE ALERT SYSTEM | 90 | DAY | $67.00 | $6,030.00 | $32.25 | $2,902.50 | $135.00 | $12,150.00 |
| 144 | 637.01 DUST CONTROL | 1 | LS | $47,500.00 | $47,500.00 | $48,394.33 | $48,394.33 | $445,000.00 | $445,000.00 |
| 145 | 637.02 NPDES DISCHARGE PERMIT | 1 | LS | $14,500.00 | $14,500.00 | $17,183.80 | $17,183.80 | $200.00 | $200.00 |
| 146 | 670.01 ADJUST ELECTRICAL MANHOLE/VAULT TO FINISHED GRADE | 3 | EA | $1,200.00 | $3,600.00 | $2,010.25 | $6,030.75 | $1,200.00 | $3,600.00 |
| 147 | 671.01 17-INCH X 30-INCH NV ENERGY HAND HOLE (RS-1) | 4 | EA | $600.00 | $2,400.00 | $1,440.50 | $5,762.00 | $600.00 | $2,400.00 |
| 148 | 671.02 3-INCH CONDUIT (NVE) | 200 | LF | $61.00 | $12,200.00 | $27.09 | $5,418.00 | $60.00 | $12,000.00 |
| 149 | 671.03 4-INCH CONDUIT (NVE) | 1600 | LF | $56.50 | $90,400.00 | $48.80 | $78,080.00 | $80.00 | $128,000.00 |
| 150 | 680.01 FIBER OPTIC CABLE (72-STRAND) (CLV FO) | 3370 | LF | $5.40 | $18,198.00 | $3.49 | $11,761.30 | $5.50 | $18,535.00 |
| 151 | 680.02 FIBER OPTIC CABLE (72-STRAND) (FAST) | 520 | LF | $7.60 | $3,952.00 | $3.49 | $1,814.80 | $7.50 | $3,900.00 |
| 152 | 680.03 FIBER OPTIC CABLE (96-STRAND) (FAST) | 2980 | LF | $6.50 | $19,370.00 | $3.92 | $11,681.60 | $6.50 | $19,370.00 |
| 153 | 681.01 UNDERGROUND SPLICE ENCLOSURES AND FIBER OPTIC SPLICE (CLV FO) | 2 | EA | $7,200.00 | $14,400.00 | $521.38 | $1,042.76 | $6,900.00 | $13,800.00 |
| 154 | 681.02 UNDERGROUND SPLICE ENCLOSURES AND FIBER OPTIC SPLICE (FAST) | 3 | EA | $7,200.00 | $21,600.00 | $521.38 | $1,564.14 | $6,900.00 | $20,700.00 |
| 155 | 681.03 COMMUNICATION DISTRIBUTION CABLE ASSEMBLIES (CLV FO) | 2 | EA | $2,600.00 | $5,200.00 | $4,730.00 | $9,460.00 | $2,500.00 | $5,000.00 |
| 156 | 681.04 COMMUNICATION DISTRIBUTION CABLE ASSEMBLIES (FAST) | 5 | EA | $2,600.00 | $13,000.00 | $4,246.25 | $21,231.25 | $2,500.00 | $12,500.00 |
| 157 | 684.01 LAYER 2 FIELD-HARDENED ETHERNET SWITCH (CLV FO) | 2 | EA | $3,000.00 | $6,000.00 | $166.62 | $333.24 | $2,900.00 | $5,800.00 |
| 158 | 684.02 LAYER 2 FIELD-HARDENED ETHERNET SWITCH (FAST) | 5 | EA | $3,000.00 | $15,000.00 | $2,945.50 | $14,727.50 | $2,900.00 | $14,500.00 |
| 159 | 690.01 10-INCH CURED-IN-PLACE PIPE LINER | 470 | LF | $135.00 | $63,450.00 | $298.28 | $140,191.60 | $210.00 | $98,700.00 |
| 160 | 691.01 COATING EXISTING 48-INCH MANHOLE (?5 DEPTH AND <10 DEPTH) | 6 | EA | $5,600.00 | $33,600.00 | $5,590.00 | $33,540.00 | $6,000.00 | $36,000.00 |
| 161 | 691.02 COATING EXISTING 60-INCH MANHOLE (?5 DEPTH AND <10 DEPTH) | 2 | EA | $7,775.00 | $15,550.00 | $8,496.00 | $16,992.00 | $6,000.00 | $12,000.00 |

**BID ABSTRACT**
**20.75681-JH (REV) Ogden Avenue - Main St to Casino Center**
**Bid Date: 6/16/2020**

**City of Las Vegas - Finance Department**
**Puchasing & Contracts Division**
**495 S. Main Street, 3rd Floor**
**Las Vegas, Nevada 89101**

| | | | | Las Vegas Paving Corp | | CG&B Enterprises Inc. | | Granite Construction Company | |
|---|---|---|---|---|---|---|---|---|---|
| Item # | Description | QTY | UOM | Unit Price | Extended Price | Unit Price | Extended Price | Unit Price | Extended Price |
| 162 | 691.03 COATING EXISTING 60-INCH MANHOLE (?10 DEPTH AND <15 DEPTH) | 2 | EA | $8,650.00 | $17,300.00 | $9,440.00 | $18,880.00 | $6,000.00 | $12,000.00 |
| 163 | 695.01 DIVERSION OF SEWAGE FLOW | 1 | LS | $16,500.00 | $16,500.00 | $15,000.00 | $15,000.00 | $6,000.00 | $6,000.00 |
| | **TOTAL BASE BID AMOUNT** | | | **$5,000,000.00** | | **$5,008,144.92** | | **$5,352,968.42** | |
| | **% Greater than Lowest Responsive & Responsible Bidder** | | | | | 0.16% | | | |
| | **Bidder's Preference Received** | | | **No** | | No | | No | |
| | **Responsive Bidder** | | | **Yes** | | | | | |
| | **Responsible Bidder** | | | **Yes** | | | | | |
| | **Department Evaluation Complete** | | | **Yes** | | | | | |
| | **Award to Low Bidder Recommended** | | | **Yes** | | | | | |
| **Engineer's Estimate: $ 4,874,005.30** | | | | | | | | | |

# *AGENDA SUMMARY PAGE*
**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**10**

**DEPARTMENT: Finance** **CONSENT**
**DIRECTOR: Venetta Appleyard**

**SUBJECT:**
For possible action to approve award of Contract No. 200247-JH, Blanket Services Agreement for Operations and Maintenance Regional Flood Control District Annual Maintenance Engineering Design Services - Department of Operations and Maintenance - Award recommended to: WESTWOOD PROFESSIONAL SERVICES, INC. (Not-to-Exceed $150,000 Annually - Various Funds) - All Wards

**FISCAL IMPACT:**
Budget Funds Available
Amount: Not-to-Exceed $150,000 Annually
Funding Source: Various Funds
Dept./Division: Operations and Maintenance

**PURPOSE/BACKGROUND:**
This blanket services agreement provides professional services to the Department of Operations and Maintenance in support of various Clark County Regional Flood Control District maintenance engineering design services. Award of this contract is recommended by the City of Las Vegas consultant selection committee based upon the 2018 Statement of Qualifications process. This item is exempt from the competitive bidding process pursuant to NRS 332.115.1. (b), Professional Services. Westwood Professional Services, Inc. is located in Las Vegas, Nevada.

**RECOMMENDATION:**
Approve award as recommended for one year from date of award with three one-year options to renew. Signature authority granted to the Finance Director per R-20-2017.

**BACKUP DOCUMENTATION:**
1. Contract No. 200247-JH
2. Certificate - Disclosure of Ownership/Principals

# BLANKET SERVICES AGREEMENT
# FOR
# O&M RFCD ANNUAL MAINTENANCE
# ENGINEERING DESIGN SERVICES

THIS AGREEMENT is made and entered into this _____ day of _____, _____, by and between the **CITY OF LAS VEGAS**, a municipal corporation within the State of Nevada (the "City") whose address is **495 South Main Street, Las Vegas, Nevada 89101**, and **WESTWOOD PROFESSIONAL SERVICES, INC.**, (the "Consultant"), a Corporation**,** whose address is **5740 S. Arville Street, Suite 216, Las Vegas, NV 89118.**

## W I T N E S S E T H:

WHEREAS, the City intends to utilize performance of **Blanket Services Agreement for City's Department of Operations and Maintenance of Clark County Regional Flood Control District (RFCD) Annual Maintenance Engineering Design Services** (herein individually and collectively the "Project" and "Projects," respectively) which may be known or unknown to the City at the time of the execution of this Agreement; and

WHEREAS, with respect to each Project, the City desires to retain the Consultant who will be responsible for providing the professional services more fully described below and in the exhibits attached hereto; and

WHEREAS, the Consultant is properly licensed pursuant to NRS Chapter 623, 623A, or 625, whichever is legally required for the services to be provided within the State of Nevada, and if applicable to the Consultant's business organization, is in compliance with NRS 623.349 for architects, interior designers, and residential designers and NRS 623A.250 for landscape architects, which requires that control and no less than two-thirds ownership of the business organization or association be held by persons registered or licensed in the State of Nevada pursuant to NRS Chapters 623, 623A, or 625, and possesses the special knowledge, skills and expertise to perform the services hereinafter set forth within the time required under this Agreement; and

WHEREAS, the parties hereto intend with the execution of this Agreement to give to the City the flexibility and ability to determine what services are to be provided by the Consultant on a project by project basis through the issuance of a Project Task Order (herein defined in Section 1.01) thereby eliminating the need of executing separate agreements with the Consultant for each Project.

NOW, THEREFORE, in consideration of the above premises, the parties hereto agree to the following terms, conditions and covenants set forth in Sections One through Ten hereof:

## SECTION ONE
## CONSULTANT RESPONSIBILITIES

**1.01 Description of Consultant's Services.**

**A. Definition.** A "Project Task Order" refers to that document which sets forth the specific services to be provided by the Consultant in connection with a particular Project.

**B. Issuance.** If so requested by the City, the Consultant shall assist the City in preparing a Project Task Order setting further the services to be provided in connection with a particular Project. The Project Task Order shall be prepared substantially in conformance with the form attached hereto as Exhibit "H." Each executed Project Task Order shall be attached hereto as Exhibit "H" with the appropriate numerical sequence (e.g., H-1, H-2, H-3, etc.) and shall become a part of this Agreement.

**C. Services.** For each Project Task Order approved and executed by the City, the Consultant hereby agrees to provide the services set forth therein subject to the terms and conditions of this Agreement. For the compensation set forth in Section Seven, the Consultant hereby agrees to perform the basic services set forth in the Scope of Services, **Exhibit "A"** attached thereto and incorporated therein as a part of this Agreement and, if so requested, the additional services set forth in the Additional Compensation, **Exhibit "E"** attached thereto and incorporated therein as a part of this Agreement and to provide the submittals described in the Required Submittals **Exhibit "B,"** attached thereto.

**1.02 Performance Standards.** In performing the services set forth in this Agreement, the Consultant shall follow the practices consistent with the generally accepted standards in the profession of the services being provided to the City pursuant to this Agreement.

**1.03 Document Review.** The Consultant shall be responsible for reviewing each document prepared by the Consultant and its subconsultants including, without limitation, the plans, drawings and specifications for the purpose of ensuring that such documents are technically sound, in conformance with applicable federal, state and local laws and other regulations, and do not violate or infringe upon any patent rights.

**1.04 Waiver.** The City's approval of any documents or services furnished by the Consultant shall not in any way relieve the Consultant of responsibility for the professional and technical accuracy of its documents or services. The City's review, approval, acceptance or payment for any of the Consultant's services shall not be construed to operate as a waiver of any rights enjoyed by the City under this Agreement or of any cause of action arising out of the performance of this Agreement. The Consultant shall remain liable for any damages to the City caused by the Consultant's negligent act or omission committed in the performance of this Agreement.

**1.05 Designation of Consultant's Representative.** The Consultant's representative is the individual identified in the Key Personnel List, **Exhibit "F"** attached hereto (the "Consultant Representative") to act in that capacity, who shall be responsible for the services required under this Agreement. The services specified by this Agreement and each Project Task Order shall be performed by the personnel identified in the Key Personnel List and by the personnel identified in each Project Task Order provided that such associates and employees perform under the personal supervision of the Consultant Representative.

If any person or subconsultant who is expected to provide any of the services required under this Agreement is objectionable to the City for any reason, the Consultant shall, without additional compensation, replace such person or subconsultant with someone acceptable to the City.

If the Consultant's personnel are unable to complete their responsibilities for any reason under this Agreement, or the Consultant desires for any reason to substitute personnel assigned to the Project, the Consultant agrees to obtain the approval of the City for the substitution. The City shall not unreasonably deny approval unless the City adjudges the substitution not be in the interest of the City or the Project.

If the Consultant fails to make an acceptable replacement within thirty (30) days, the City may terminate this Agreement for default as provided in Section 10.03 of this Agreement.

**1.06 Correspondence Review.** The Consultant shall furnish the City Representative copies of each correspondence, if any, sent to any contractor involved with the Project, and to any regulatory agencies, for approval and review prior to mailing such correspondence.

**1.07 Cooperation with the City.** The Consultant agrees that its officers, associates, employees and subconsultants will cooperate with the City in providing the services under this Agreement and will be, with advance notice, available for consultation with the City at such reasonable times as to not conflict with the City's other responsibilities.

**1.08 Responsibility for Construction Document Revisions.**

**A. Applicability.** The Consultant's responsibility described in this Section applies only if the Consultant is responsible for providing a construction cost estimate and preparing construction documents for the Project.

**B. Responsibility for Revisions.** The Consultant does not warrant or represent that the bids or proposed price received by the City to construct the Project will come within the estimate prepared by the Consultant. If the bids or proposed price received by the City exceeds the Consultant's estimate, the Consultant agrees to cooperate with the City in revising the requirements of the Project as required to lower the cost and to change the construction documents. If the changes requested by the City cause an increase in the cost or time required to perform any of the services required under this Agreement, the Consultant may submit a request for an Adjustment in Compensation pursuant to Section 3.02.

## SECTION TWO
## CITY RESPONSIBILITIES

**2.01 City Representative.** The Director of Public Works or his authorized representative identified in the Key Personnel List is hereby designated as the City's representative (the "City Representative") with respect to this Agreement. The City Representative shall have complete authority to transmit instructions, receive information, interpret and define the City's policies and decisions with respect to the services of the Consultant. The City Representative is not authorized to change or waive any of the provisions set forth in Sections 1.01 through 10.24 of this Agreement.

**2.02 Review of Consultant's Services and Documents.** The services to be performed by the Consultant shall be subject to periodic review by the City Representative. To prevent an unreasonable delay in the Project, the City Representative will endeavor to examine and comment in writing on the documents furnished by the Consultant including, without limitation, the plans, drawings, specifications, test results,

evaluations, and reports within twenty-one (21) days of receipt of such documents, unless the Contract provides for a different review time with respect to the document.

**2.03 Access to Records.** The City shall, without charge, furnish a copy to, or make available for examination or use by, the Consultant, as it may request, any documents and data which the City has available including, without limitation, reports, maps, plans, specifications, surveys, records, ordinances, codes, regulations, and other documents related to the services required under this Agreement. The City shall assist the Consultant in obtaining data and documents from public agencies and from private citizens and business firms whenever the City determines that such material is necessary for the completion of the services required by this Agreement.

**2.04 Cooperation with Consultant.** The City agrees that its officers and employees will cooperate with the Consultant in the performance of this Agreement and will be, with advance notice, available for consultation with the Consultant at such reasonable times as to not conflict with the Consultant's other responsibilities. The City shall provide access to the Consultant on to the Project site as may be required to perform the services under this Agreement.

## SECTION THREE
## CHANGES TO CONSULTANT'S SERVICES

**3.01 Requested Changes.** The City may at any time, by written order, make a change in the services to be performed by the Consultant under this Agreement.

**3.02 Adjustment of Compensation.** If the change requested by the City causes an increase or decrease in the cost or time required to perform any of the services required under this Agreement, an equitable adjustment shall be made in the compensation to be paid to the Consultant under Section Seven, or in the performance schedule under Section Eight, or both, and this Agreement shall be modified in writing accordingly. Each claim for adjustment under this Section must be asserted in writing within thirty (30) days from the date of receipt by the Consultant of written notification of the change, unless the City grants in writing an extension. Provided proper notice has been given to the City as required herein, the claim for an adjustment shall be handled pursuant to the provisions of 10.20B and 10.20C of this Agreement. The failure to provide notification of the claim within the time required herein shall constitute a waiver of the right to seek any equitable or legal adjustment in compensation with respect to that change.

## SECTION FOUR
## ADDITIONAL SERVICES OF CONSULTANT

**4.01 Additional Services.** The Consultant shall provide the additional services described in the Additional Compensation if, and only if, so requested in writing by the City. Payment for the additional services will be made to the Consultant in accordance with Section Seven of this Agreement.

**4.02 Attendance at Meetings or Public Hearings.** The Consultant shall notify the City in advance of any additional costs which may be incurred prior to attending any meetings or public hearings as may be necessary in connection with the services performed by the Consultant under this Agreement.

## SECTION FIVE
## SUBCONSULTANT AGREEMENT

**5.01 Subconsultant Provisions.** If, with the approval of the City as required pursuant to Section 10.07, the Consultant enters into an agreement with a subconsultant for the performance of any of its obligations under this Agreement, the Consultant agrees to include in each subconsultant agreement a provision that:

(i) the Consultant agrees to pay the subconsultant when paid by the City for that portion of the services provided to the City and that no liability arises on the part of the Consultant for payment of the subconsultant services until payment has been made by the City. If the City has paid the Consultant for the subconsultant services, the subconsultant's only recourse is against the Consultant and not against the City, either through the institution of legal or equitable action or the attachment of any lien,

(ii) the subconsultant shall have no more rights against the City than that of the Consultant,

(iii) the subconsultant agrees to be bound by the terms, conditions and obligation of this Agreement unless the City has approved any deviation, change or modification in writing, and

(iv) unless otherwise approved in writing by the City Representative, the subconsultant shall obtain and maintain professional liability insurance (Errors and Omissions coverage) in connection with the subconsultant services in an amount equal to that required of the Consultant in this Agreement.

## SECTION SIX
## TERM OF AGREEMENT

**6.01** ***Term.*** This Agreement shall commence on the day it is approved by the City (which date shall be inserted in the introductory paragraph of this Agreement) and shall remain in force and effect through **June 30, 2021** unless terminated earlier pursuant to Section 10.02 or 10.03 of this Agreement. Such termination shall not release either party from any of its continuing obligations under this Agreement.

**6.02** ***Task Orders.*** Task Orders executed during the term of this Agreement shall remain in force under the terms of this Agreement until the responsibilities for each Task Order are completed, even if this Agreement is no longer in effect.

**6.03** ***Disputes.*** This Section shall not be construed to preclude the filing of any dispute arising out of the performance of this Agreement or in connection with the subject matter hereof, nor shall this Section be construed to change the date or the time on which a cause of action arising out of the performance of this Agreement or in connection with the subject matter hereof, would otherwise accrue under the statutes of limitation or doctrines of law.

**6.04** **Renewals:** The City may at its sole option, extend the term of this Agreement for up to **THREE ONE YEAR PERIODS** beyond the initial term in 6.01. The City shall provide written notice to the Consultant of such extension, and the Consultant may not assume an automatic renewal. Exercise of a renewal option does not commit the City to exercise further options. Renewal options periods shall be executed under the same terms as this Agreement unless the parties agree otherwise. Upon the exercise of a renewal option, the Total Not to Exceed Fee shall renew for the same amount as this Agreement and expire any unused Not to Exceed Fee from the previous contract or renewal option.

## SECTION SEVEN
## COMPENSATION AND TERMS OF PAYMENT

**7.01** ***Compensation: Basic Services.*** For the services to be performed by the Consultant under this Agreement and set forth in the Scope of Services, the City agrees to pay the Consultant the fee in the amount identified in the Fee Breakdown, **Exhibit "D"** attached hereto, pursuant to invoices submitted in accordance with Section 7.04 of this Agreement.

**7.02** ***Compensation: Additional Services.*** For any services not set forth in the Scope of Services, the City shall pay to the Consultant either a lump sum fee, or an hourly fee based on the hourly labor rate schedule set forth in the Additional Compensation, whichever is agreed to by the parties, provided prior written approval for such services is given by the City Representative.

**7.03** ***Compensation: Reimbursable Expenses.*** The Consultant agrees that all of its direct and indirect expenses are included in the fee for Basic Services and the agreed upon compensation for any Additional Services, except as may be specifically allowed for reimbursable expenses as part of the Additional Compensation.

**7.04** ***Payment Invoicing.*** The Consultant may submit an invoice for payment for the services provided by the Consultant based on the manner or method of payment set forth in the Fee Breakdown. The City Representative will notify the Consultant of any problems regarding the invoice within fourteen (14) days from receipt thereof. If no response is received from the City Representative within the aforementioned period of time, the Consultant may expect payment within a period of (60) days from the date of receipt by the City. If payment has not been received within the sixty (60) days, the Consultant agrees to contact the City Representative to resolve the problem causing the delay. If resolution of the delay is not satisfactory to the Consultant, the Consultant may submit a claim pursuant to Section 10.20A of this Agreement.

**7.05** ***Right to Off-Set.*** The City Representative may subtract or offset from any unpaid invoice from the Consultant any claims which the City may have for failure of the Consultant to comply with the terms, conditions or covenants of this Agreement, or any damages, costs and expenses caused by, resulting from, or arising out of the negligent act or omission of the Consultant in the performance of the services under this Agreement including, without limitation, any error or deficiency in the report or other documents prepared by the Consultant. Within seven (7) days, the City Representative shall provide a written statement to the Consultant of the off-set which has been subtracted from any payment to the Consultant along with appropriate documentation and receipts, if any, and a description of the failure, error or deficiency attributed to the Consultant. The Consultant may dispute the right or amount of the off-set made by the City by providing written notification to the City within fourteen (14) days after receipt of the City's written notice. The City Representative shall provide a written response to the Consultant within seven (7) days of receipt of the Consultant's written dispute notice. If the Consultant disputes the City Representative's determination, the Consultant may file a claim pursuant to Section 10.20 of this Agreement.

**7.06** ***Final Payment.*** Upon completion of the services required under this Agreement, and acceptance thereof by the City (which acceptance will not be unreasonably withheld), the Consultant will, within sixty (60) days of the City's acceptance, be paid the balance of any money due for such services.

## SECTION EIGHT
## PERFORMANCE SCHEDULE

**8.01** **Performance Schedule.** The Consultant shall perform and complete the services required under this Agreement according to the schedule (the "Performance Schedule") set forth in the Schedule of Performance, **Exhibit "C"** attached hereto. If the performance of services is delayed or submittals are not delivered in the time period as outlined in the Performance Schedule, the Consultant shall notify the City Representative in writing of the reasons for the delay and include a plan which brings the Consultant's performance into compliance with the Performance Schedule.

## SECTION NINE
## AUDIT: ACCESS TO RECORDS

**9.01** **Records.** The City shall have the right to audit the Consultant's books, records and other documents directly pertinent to the performance of this Agreement. The Consultant agrees to maintain books, records and other documents directly pertinent to performance of this Agreement in accordance with generally accepted accounting principles and practices. The Consultant shall also maintain the financial information and data used to prepare or support the invoices submitted to the City. Audits conducted pursuant to this provision shall be in accordance with generally accepted auditing standards, procedures and guidelines of the City, or its designated representative. The City, or its duly authorized representatives, shall have access to such books, records, and documents for the purpose of inspection, audit and copying. The Consultant will provide proper facilities for such access and inspection.

**9.02** **Disclosure.** The Consultant shall be afforded the opportunity for an audit entrance and exit conference and an opportunity to comment and submit any supporting documentation on the pertinent portions of the draft audit report, and that the final audit report will include the written comments, if any, of the Consultant.

**9.03** **Period of Maintenance.** The books, records and other documents under Sections 9.01 and 9.02 of this Agreement shall be maintained for three (3) years after the date of the final payment for the services under this Agreement. In addition, those records and other documents which relate to any arbitration, litigation or the settlement of any claim arising out of this Agreement, or to which an audit exception has been taken, shall be maintained and made available until three (3) years after the date that the arbitration, litigation or exception has been resolved.

**9.04** **Subcontract Provisions.** The Consultant agrees to include Sections 9.01 through 9.03 of this Agreement in all its subcontracts directly related to performance of services specified in this Agreement which are in excess of $10,000.

## SECTION TEN
## MISCELLANEOUS PROVISIONS

**10.01** **Suspension.** The City may suspend, without cause, the performance by the Consultant under this Agreement for such period of time as the City, in its sole discretion, may prescribe by providing written notice to the Consultant. The suspension shall be effective as of the date set forth in the written notice. With such suspension, the City agrees to pay to the Consultant the amount of compensation, based on percentage of completion of the Project, earned as of the effective date of suspension less all previous payments. The Consultant shall not provide any further services under this Agreement after the effective date of suspension until otherwise notified in writing by the City. In no event shall the City be liable to the Consultant for services in excess of the percentage of the Project completed at the time of suspension.

If, after notice to resume performance has been given by the City, the suspension was for a period in excess of ninety (90) days, which has resulted in an increase in the performance of the Agreement to the Consultant and:

(i) the Consultant was not a contributing cause for the suspension,

(ii) the Consultant has not received an equitable adjustment under another provision of this Agreement, and

(iii) the Consultant could not mitigate the increase in the performance cost,

then the Consultant's fee shall be reviewed by the City and, if justified, equitably adjusted to provide for any additional expenses resulting from the suspension.

**10.02.** **Termination for Convenience.** The City reserves the right to terminate this Agreement without cause or default on the part of the Consultant with ten (10) days' prior written notification to the Consultant served pursuant to Section 10.18 of this Agreement. In the event of termination, without cause or default, the City agrees to pay to the Consultant the reasonable value for the services performed as of the date that notification of termination is received by the Consultant. In no event shall the City be liable to the Consultant for services in excess of the percentage completed at the time of termination.

**10.03 Termination for Cause or Other Resolution.**

**A. Default.** The occurrence of any of the following events shall constitute a default by the Consultant hereunder (herein "Event of Default"). If, during the term of this Agreement, the Consultant:

(i) defaults in the due observance and performance of any term, condition or covenant contained in this Agreement,

(ii) (a) voluntarily terminates operations or consent to the appointment of a receiver, trustee or liquidator of the Consultant for all or a substantial portion of its assets, (b) is adjudicated bankrupt or insolvent or files a voluntary petition in bankruptcy, or admits in writing to the inability to pay its debts as they become due, (c) make a general assignment for the benefit of creditors, (d) file a petition or answer seeking reorganization or an arrangement with creditors or take advantage of any insolvency law, or (e) if action shall be taken by the Consultant for the purpose of effecting any of the foregoing,

(iii) allows any warrant, execution or other writ to be issued or levied upon any property or assets of the Consultant which continues unvacated and in effect for a period of thirty (30) days, or

(iv) fails, in the judgment of the City, to provide the services hereunder properly and with proper dispatch in accordance with the time schedule set forth in this Agreement,

and the default continues five (5) days after written notice is given to the Consultant pursuant to Section 10.18.

**B. City's Rights.** Upon the occurrence of an Event of Default, and without prejudice to any other right or remedy it may have at law or equity, the City may:

(i) terminate this Agreement, suspend payment of all pending invoices otherwise due to the Consultant hereunder, and finish this Agreement by such means as deemed appropriate by the City, reserving the right to deduct from any balance due Consultant the cost of completing this Agreement. In the event the cost of finishing the Consultant's performance of this Agreement exceeds the balance due the Consultant, the excess shall be paid by the Consultant to the City within thirty (30) days of invoicing by the City,

(ii) terminate this Agreement, and the obligations imposed hereunder, including the obligation of any further payment for the services of the Consultant except for the reasonable value for the services performed to the date of termination, or

(iii) continue with performance by the Consultant and serve within a reasonable time after completion of the Agreement a notice of claim or dispute pursuant to the procedure set forth in Section 10.20.

In the event that the City elects to implement (i) above, the costs and expenses of completing this Agreement shall be computed and audited by the City's designated representative. The audit shall be conducted in accordance with generally accepted accounting principles and the cost thereof shall be paid by the City.

**10.04 Ownership of Documents.**

**A. Architectural Works.** To the extent that the Consultant's services involves the design of an architectural work as defined herein, the Consultant shall retain all common law and statutory rights of ownership, including copyrights, to the drawings and specifications prepared by the Consultant for this Project. The Consultant is deemed to be the author of the drawings and specifications as instruments of service to the City. Notwithstanding the foregoing, the Consultant hereby grants to the City the right to use (including the right of reproduction and use in the creation of new documents) the drawings and specifications for the purpose of completing the Project or for any subsequent maintenance, repair, renovation, remodeling or addition thereto. The rights granted herein to the City shall extend and include any new consultant which the City may retain for the aforementioned purposes. The Consultant hereby releases the City, and any new consultant retained by the City for the aforementioned purposes, from any and all claims in connection with the use or reproduction of the drawings and specifications. The Consultant agrees to execute such documents reasonably deemed necessary by the City to implement the rights granted to the City pursuant to this subsection.

**B. Other Works.** To the extent that the Consultant's services does not involve the design of an architectural work and upon the City's payment for the services rendered by the Consultant, the City shall have all common law and statutory rights of ownership, including copyrights, to the plans, drawings, specifications and other documents (including, without limitation, design concepts and sketches, test results, evaluations, reports and studies, excepting any proprietary forms, templates, and checklists specifically listed for City ownership exclusion elsewhere in this Agreement) (collectively herein the "Documents") prepared or assembled by the Consultant, or any of its subconsultants, for this Project. The Consultant hereby releases the City, and any new consultant retained by the City from any and all claims in connection with the use or reproduction of the Documents. The City agrees to waive any and all claims against the Consultant and to defend, indemnify and hold the Consultant harmless

from and against any and all claims, losses, liabilities and damages arising out of or resulting from the City's use, reuse or alteration or the City's authorized use, reuse or alteration by any new consultant or other agent of the City of the Consultant's designs, drawings and specifications. The Consultant agrees to execute such documents reasonably deemed necessary by the City to implement the rights granted to the City pursuant to this subsection. The Consultant shall be entitled to retain a reproducible copy of the documents furnished to the City.

**C. Definition of Architectural Work.** For purposes of this Contract, "architectural work" shall have the same definition as set forth in Architectural Works Copyright Protection Act of 1990, P. L. 101-650, Title VII, Section 70 et. seq.

**D. Delivery of Documents.**

(i) In the event of the completion of this Agreement and upon the City's payment in the services rendered by the Consultant, the City shall have the right to require delivery of any and all of the plans, drawings, specifications, and all other documents (including, without limitation, design concepts and sketches, test results, evaluations, reports and studies), including the magnetic or electronic media of the aforementioned documents, not in the possession of the City.

(ii) In the event of the suspension or termination of this Agreement, the Consultant shall have the right to invoice the City to request full payment for all services performed or furnished in accordance with this Agreement through the suspension or termination date. Any dispute regarding the amount of any payment to be made by the City under this Agreement shall not diminish, restrict or limit the right of the City to promptly receive delivery of any and all plans, drawings, specification, and all other documents (including without limitation, design concepts and sketches, test results, evaluations, reports and studies), including the magnetic or electronic media of the aforementioned documents, not in possession of the City. The Consultant may file a claim pursuant to Section 10.20 of this Agreement for any disputed payment claims.

**E. Confidentiality.** The plans, drawings, specifications and other documents (including, without limitation, design concepts and sketches, test results, evaluations, reports and studies) (including the magnetic or electronic media of the aforementioned documents) which are prepared or assembled by the Consultant, or its subconsultants, under this Agreement shall not be made available to any individual or organization without the prior written consent of the City. Except for marketing pamphlets and submittals to clients, the Consultant shall not publish, submit for publication, or publicly display the Project without the written consent of the City. The obligations of confidentiality shall survive the termination of this Agreement.

**F. Contractual Rights.** Notwithstanding the provisions of 10.04 A above, the City is hereby licensed to use all design concepts developed by the Consultant and subconsultants under this Agreement, including the right to construct derivative works of the Project, and to use the design concepts for other projects of the City. Provided, that however, none of the documents or materials are intended or represented by Consultant to be suitable for reuse by the City, or others on extension of the project or on any other project. Any reuse without written verification or adaptation by Consultant for the specific purpose intended will be at City's sole risk and without liability or legal exposure to Consultant. The City agrees to indemnify, defend and hold harmless Consultant for any claims related to the City's or City's authorized use of the design concepts developed by the Consultant. The design concepts include, but are not limited to, the form, aesthetic appeal, site layout, the arrangement and composition of spaces and elements, the use of colors and materials, system designs, construction methods and interior design.

**10.05 Insurance.** The Consultant shall procure and maintain, at its own expense, during the entire term of this Contract, the following insurances:

**A. Worker's Compensation Insurance.** This insurance shall protect the Consultant and the City from employee claims based on job-related sickness, disease, or accident.

**B. Commercial General Liability Insurance.** This insurance shall protect the Consultant, its agents and vehicles used to provide the services required under this Agreement from claims of personal injury (including death) and property damage. Such coverage shall be in a minimum amount of $1,000,000 combined single limit for the period of time covered by this Agreement. The Consultant's general liability insurance policies shall be endorsed to include the City as an additional insured. Any deductible or self-insured retention under the commercial general liability policy will be the sole responsibility of the Consultant and may not exceed $100,000 without the written approval of the City. If the Consultant desires authority from the City to have a deductible in a higher amount, the Consultant shall so request in writing, specifying the amount of the desired deductible and making available for review the most current audited financial statements so that the City can ascertain the ability of the Consultant to cover the deductible from its own resources.

**C. Commercial Automobile Liability Insurance.** This insurance shall protect the Consultant from claims of limits no less than $1,000,000 combined single limit per occurrence for bodily injury and property damage to include, but not be limited to, coverage against all insurance claims for injuries to persons or damages to property which may arise from services rendered by Company and any auto used to the performance of services under this Contract. The policy must insure all vehicles owned by the Company and include coverage for hired and non-owned vehicles. The Consultant's automobile liability insurance policies shall be endorsed to include the City as an additional insured. Any deductible or self-insured

retention under the commercial automobile liability policy will be the sole responsibility of the Consultant and may not exceed $100,000 without the written approval of the City. If the Consultant desires authority from the City to have a deductible in a higher amount, the Consultant shall so request in writing, specifying the amount of the desired deductible and making available for review the most current audited financial statements so that the City can ascertain the ability of the Consultant to cover the deductible from its own resources.

**D. Professional Liability Insurance (Errors and Omissions Coverage).** This insurance shall protect the Consultant from claims arising out of performance of professional services caused by a negligent act, error, or omission for which the insured is legally liable. Such coverage shall be in a minimum amount of $1,000,000 for the period of time covered by this Agreement. Any deductible or self-insured retention under the professional liability insurance policy will be the sole responsibility of the Consultant and may not exceed $100,000 without the written approval of the City. If the Consultant desires authority from the City to have a deductible in a higher amount, the Consultant shall so request in writing, specifying the amount of the desired deductible and making available for review the most current audited financial statements so that the City can ascertain the ability of the Consultant to cover the deductible from its own resources.

**E. Cancellation or Modification of Coverage.** The Consultant's Commercial General Liability Insurance Policies shall automatically include or be endorsed to cover the Consultant's contractual liability to the City under this Agreement, and with respect to its Commercial General Liability Policy, to waive subrogation against the City, its officers employees and agents. The policies shall provide that the City will be given thirty (30) days' notice in writing of any cancellation, non-renewal or reduction in limits of the policies.

**F. Certificates and Endorsements.** The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer and licensed by the State of Nevada. All deductibles and self-insured retentions shall be fully disclosed in the Certificate of Insurance. The Consultant shall deliver to the City's authorized designated representative named in **Exhibit "B"** (Required Submittals) certificates indicating that such insurance is in effect before any services are provided under this Agreement and renewal certificates not less than 30 days prior to the expiration date of any policy.

**G. Period of Coverage.** If the insurance coverage is underwritten on a "claims made" basis, the retroactive date shall be prior to or coincident with the date of this Agreement and the Certificate of Insurance shall state that coverage is "claims made" and the retroactive date. The Consultant shall maintain all insurance coverages specified in Section 10.05 for the duration of this Agreement and liability coverage as required by Section 10.05 for two years following completion of this Agreement.

**10.06 Indemnity.**

**A. Claims Not Based Upon or Arising out of Professional Services.** Notwithstanding any of the insurance requirements set forth in Section 10.05, and not in lieu thereof, the Consultant shall defend, indemnify, and hold the City, its Mayor, Councilmen, officers, employees, and agents (herein the "Indemnities"), harmless from any and all claims (including, without limitation, patent infringement, and copyright claims), damages, losses, expenses, suits, actions, decrees, judgments, arbitration awards, or any other form of liability (including, without limitation, reasonable attorney fees and court costs) (collectively herein the "Claims") to the extent that such Claims are caused by the negligence, errors, omissions, recklessness, or intentional misconduct of the Consultant, its employees, subcontractors, agents, or anyone employed by the Consultant's subcontractors or agents (herein the "Consultant Parties"), which are not based upon or arising out of the professional services performed by the Consultant Parties in the performance of this Contract.
As part of its obligation hereunder, the Consultant shall, at its own expense, defend the Indemnitees against the Claims brought against them, or any of them, which is caused by the negligence, errors, omissions, recklessness, or intentional misconduct of the Consultant, its employees, subcontractors, or agents, for and against which the Consultant is obligated to indemnify the Indemnitees pursuant to this Section, unless the Indemnitees, or any of them elect to conduct their own defense which, in such case, shall not relieve the Consultant of its obligation of indemnification set forth herein. If the Consultant or the Consultant's insurer fails to defend the Indemnities as required herein, the Indemnitees shall have the right, but not the obligation, to defend the same and, if the Consultant is adjudicated by the trier of fact to be liable, the Consultant agrees to pay the direct and incidental costs of such defense (including reasonable attorney fees and court costs) which is proportionate to the liability of the Consultant.

**B. Claims Based Upon or Arising out of Professional Services.** Notwithstanding any of the insurance requirements set forth in Section 10.05, and not in lieu thereof, the Consultant shall indemnify and hold the Indemnities, harmless from any and all claims (including, without limitation, patent infringement and copyright claims), damages, losses, expenses, suits, actions, decrees, judgments, arbitration awards, or any other form of liability (including, without limitation, reasonable attorney fees and court costs) (collectively herein the "Professional Liability Claims") to the extent that such Professional Liability Claims are caused by the negligence, errors, omissions, recklessness, or intentional misconduct of the Consultant Parties, which are based upon or arising out of the professional services performed by the Consultant Parties in the performance of this Contract.

If the Consultant Parties are adjudicated to be liable by a trier of fact, the trier of fact shall award reasonable attorney's fees and costs to be paid by the Consultant to the Owner, as reimbursement for the attorney's fees and costs incurred by the Owner in defending the Professional Liability Claims, in an amount proportionate to the liability of the Consultant.

As used in this Section 10.06, "agents" means those persons who are directly involved in and acting on behalf of the City or the Consultant, as applicable, in furtherance of the contract or the public work to which the Contract pertains.

**10.07 Assignment.** The City and the Consultant each bind itself and its partners, successors, administrators and assigns to the other party of this Agreement and to the partners, successors, executors, administrators and assigns of such other party in respect to all covenants of this Agreement, except the Consultant shall not assign, sublet or transfer any obligation or benefit under this Agreement without the written consent of the City. Nothing contained herein shall be construed as creating any personal liability on the part of any officer or agent of the City.

**10.08 Waiver.** No consent or waiver, express or implied, by either party to this Agreement, or of any breach or default by the other in the performance of any obligations hereunder, shall be deemed or construed to be a consent or waiver of any other breach or default by such party hereunder. Failure on the part of any party hereto to complain of any act, or failure to act of the other party, or to declare that other party in default hereunder, irrespective of how long such failure continues, shall not constitute a waiver of the rights of such party hereunder. Inspection, payment, or tentative approval or acceptance by the City or the failure of the City to perform any inspection hereunder, shall not constitute a final acceptance of the work or any part thereof and shall not release the Consultant of any of its obligations hereunder.

**10.09 Consultant Warranties.** The Consultant hereby represents and warrants that:

(i) it is financially solvent, able to pay its debts as they mature, and is possessed of sufficient working capital to complete this Agreement; that it is experienced, competent, qualified and able to furnish the plant, tools, materials, supplies, equipment and labor which is used to perform the services contemplated by this Agreement, and that it is authorized to do business in the City of Las Vegas and the State of Nevada,

(ii) it holds a license, permit or other special license to perform the services included in this Agreement, as required by law, or employs or works under the general supervision of the holder of such license, permit or special license,

(iii) its computer hardware, software, and firmware will continue functioning without interruption, and will continue to accurately process date, time, and data necessary to the performance of this Agreement, and

(iv) it has, pursuant to the requirements of Resolution 79-99 adopted by the City Council on August 4, 1999, (effective October 1, 1999), as amended by resolution 105-99 (adopted by the City Council on November 17, 1999), disclosed on the form attached hereto as **Exhibit "G"** (Disclosure of Ownership/Principals) all of the principals, including partners, of the Consultant, as well as all persons and entities holding more than a one percent (1%) interest in the Consultant or any principals of the Consultant. If the Consultant, or its principals or partners, are required to provide disclosure under federal law (such as Securities and Exchange Commission or the Employee Retirement Income Act) and current copies of such federal disclosures are attached to **Exhibit "G,"** the requirements of this Section shall be deemed satisfied. During the term of this Agreement, the Consultant shall notify the City in writing of any material change in the above disclosure on **Exhibit "G"** within fifteen (15) days of such change.

**10.10 Consultant's Employees.** The Consultant shall be responsible for maintaining satisfactory standards of competency, conduct and integrity, of personnel assigned to the Project, and shall be responsible for taking such disciplinary action with respect to such personnel as may be necessary. In the event the Consultant fails to remove any employee from the work of this Agreement whom the City deems incompetent, careless or insubordinate, or whose continued employment on the work is deemed by the City to be contrary to the public interest, the City reserves the right to require such removal as a condition for the continuation of this Agreement.

**10.11 Independent Contractor.** It is hereby expressly agreed and understood that in the performance of the services required herein, the Consultant and any other person employed by him hereunder shall be deemed to be an independent contractor and not an agent or employee of the City.

**10.12 Applicable Law.** This Agreement shall be construed and interpreted in accordance with the laws of the State of Nevada.

**10.13 Compliance with Laws.** The Consultant shall in the performance of its obligations hereunder comply with all applicable laws, rules and regulations of all governmental authorities having jurisdiction over the performance of this Agreement including, without limitation, the Federal Occupational Health and Safety Act and all state and federal laws prohibiting and/or related to discrimination by reason of race, sex, age, religion or national origin.

**10.14 Severability.** In the event that any provisions of this Agreement shall be held to be invalid or unenforceable, the remaining provisions of this Agreement shall remain valid and binding on the parties hereto.

**10.15 Confidentiality.** The Consultant shall treat the information relating to the Project, which has been produced by the Consultant or provided by the City, as confidential and proprietary information of the City and shall not permit its release to other parties or make any public

announcement or publicity release without the City's written authorization. The Consultant shall also require each subconsultant to comply with this requirement. The submission or distribution of documents to meet official regulatory requirements or for similar purposes in connection with the Project is not to be construed as publication relieving the Consultant of its confidentiality obligation imposed herein.

**10.16 Site Inspection.** The Consultant represents that, prior to executing each Project Task Order, it has visited the location of the Project and has satisfied itself as to the general condition thereof and that the Consultant's compensation as provided for in the Agreement is just and reasonable compensation for performance hereunder including reasonably foreseen and foreseeable risks, hazards and difficulties in connection therewith based on such above-ground observations.

**10.17 Modification.** All modification or amendments to this Agreement are null and void unless reduced in writing and signed by the parties hereto.

**10.18 Notice.** Any written notice required to be given under Sections 1.01 through 10.24 of this Agreement shall be deemed to have been given when the written notice is (i) received by the party to whom it is directed by personal service or (ii) deposited with the United States Postal Service, postage prepaid, addressed to the City Representative or the Consultant Representative, whomever is the proper recipient, and mailed to the address set forth in the introductory paragraph to this Agreement.

**10.19 Prohibition Against Contingent Fees.** The Consultant warrants that no person or entity has been employed or retained to solicit or secure this Agreement with the Agreement or understanding that a commission, percentage, brokerage or contingent fee would be paid to that person. For breach or violation of this provision, the City shall have the right to annul this Agreement without liability or, in its discretion, to deduct from the compensation to be paid to the Consultant, or otherwise recover, the full amount of such commission, percentage, brokerage or contingent fee.

**10.20 Claim or Dispute Resolution.**

**A. Notice of Claim or Dispute.** For each claim or dispute which the Consultant has against or with the City (except for any claim for an equitable adjustment under Section 3.02 which is subject to the 30-day limitation set forth therein), notice thereof must be submitted in writing to the City Representative within a reasonable time after the claim or dispute arises, but no later than thirty (30) days after final payment is made to the Consultant. The purpose of written notification is to place the City on notice so that proper measures can be taken to properly defend against the claim or dispute, and the failure to give such notice shall preclude the Consultant from subsequently mediating that particular claim or dispute pursuant to Section 10.20C of this Agreement, and the Consultant shall have no further recourse against the City. Pending a final decision on the claim or dispute under Sections 10.20B or 10.20C, the Consultant shall proceed diligently with the performance of this Agreement.

**B. Resolution by Management.** The City Representative and the Consultant Representative shall meet within a reasonable time after receipt of the written notice received pursuant to Section 10.20A in an attempt to resolve the claim or dispute to the mutual satisfaction of the parties. If the matter is not disposed of by mutual agreement between the City Representative and the Consultant Representative, the claim or dispute shall be decided by the Director of Public Works, whose decision shall be reduced to writing and mailed or otherwise furnished to the Consultant. The decision of the Director of Public Works shall be final and conclusive unless, within thirty (30) days after the date on which the Consultant receives its copy of such decision, the Consultant mails or otherwise furnishes to the Director of Public Works a written request to mediate the claim or dispute, in which event the parties shall proceed pursuant to provisions of Section 10.20C. The failure to make such request shall preclude the Consultant from proceeding any further on the claim or dispute, and the Consultant shall have no further recourse against the City.

**C. Resolution by Mediation.** Upon receipt of the request to mediate authorized pursuant Section 10.03B or Section 10.20B, the City and the Consultant shall come to an agreement as to the appointment of a mediator for purposes of hearing the appeal. If the parties cannot agree upon an independent private mediator within 45 days after notice of the receipt of the request to mediate, the party may proceed to file a judicial action with the Eighth Judicial District Court, Clark County, Nevada. The mediation shall take place in Clark County, Nevada, unless otherwise agreed to by the parties. The fees and expenses of the mediator shall be equally shared by both parties. Each party is responsible for their own costs, expenses, consultant fees and attorney fees incurred in the presentation or defense of any claim, dispute or controversy that is subject to mediation between the parties. The decision of the mediator shall be non-binding.

**D. Right of Judicial Action.** Any claim, dispute, or other matter in question between the parties concerning any provisions of this Agreement that cannot otherwise be resolved between the parties through the use of mediation required herein may be submitted for judicial action. Prior to the exercise of this right, the party seeking judicial relief shall have provided the other party 30 days prior written notice before filing such judicial action.

**10.21 Attorney Fees.** The prevailing party in any litigation or arbitration brought to enforce the provisions of this Agreement shall be entitled to reasonable attorney fees and court costs.

**10.22 Calendar Day.** All references in this Agreement to days are to calendar days unless otherwise indicated.

**10.23** ***Exhibits.*** All exhibits referenced in this Agreement are hereby incorporated by this reference as a part of this Agreement. Any conflict between the provisions of this Agreement and the Exhibits incorporated herein shall be governed by the provisions of this Agreement.

**10.24** ***Counterparts; Electronic Delivery.*** This Agreement may be executed in counterparts, all such counterparts will constitute the same contract and the signature of any party to any counterpart will be deemed a signature to, and may be appended to, any other counterpart. Executed copies hereof may be delivered by facsimile or e-mail and upon receipt will be deemed originals and binding upon the parties hereto, regardless of whether originals are delivered thereafter.

**10.25** ***Agreement Version.*** This document reflects the current standard provisions for the City's Professional Services Agreement updated as of April 8, 2008.

**10.26** **Certification – No Israel Boycott** [CAO – 4/2020]

By signing this Agreement, the Consultant certifies that it is not engaged in, and agrees for the duration of the Agreement not to engage in, a boycott of the State of Israel per NRS 332.065.

"Boycott of Israel" means refusing to deal or conduct business with, abstaining from dealing or conducting business with, terminating business or business activities with or performing any other action that is intended to limit commercial relations with Israel; or a person or entity doing business in Israel or in territories controlled by Israel, if such an action is taken in a manner that discriminates on the basis of nationality, national origin or religion. It does not include an action which is based on a bona fide business or economic reason; is taken pursuant to a boycott against a public entity of Israel if the boycott is applied in a nondiscriminatory manner; or is taken in compliance with or adherence to calls for a boycott of Israel if that action is authorized in 50 U.S.C. § 4607 or any other federal or state law.

"Consultant" means any domestic or foreign sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited-liability partnership, limited-liability company, or other domestic or foreign entity or business association, including, without limitation, any wholly owned subsidiary, majority owned subsidiary, parent company or affiliate of such an entity or business association, that exists for the purpose of making a profit.

A violation of this Section by Consultant shall be considered an incurable Event of Default of this Agreement, thereby allowing the City to immediately terminate this Agreement upon giving Legal Notice to Consultant.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed the day and year first above written.

**CITY OF LAS VEGAS**

Venetta Appleyard, Finance Director — Date

**CONSULTANT**

6.18.20

Jerry Slater, Vice President, WESTWOOD PROFESSIONAL SERVICES, INC. — Date

ATTEST

LuAnn D. Holmes, MMC, City Clerk — Date

APPROVED AS TO FORM

John S. Ridilla — 6/17/2020

Deputy City Attorney — Date

John S. Ridilla
Deputy City Attorney

# LIST OF EXHIBITS

Any conflicts between the proceeding Agreement and the following Exhibits shall be governed by the Agreement.

**EXHIBIT " A " SCOPE OF SERVICES**

**EXHIBIT " B " REQUIRED SUBMITTALS**

**EXHIBIT " C " PERFORMANCE SCHEDULE**

**EXHIBIT " D " FEE BREAKDOWN**

**EXHIBIT " E " ADDITIONAL COMPENSATION**

**EXHIBIT " F " KEY PERSONNEL LIST**

**EXHIBIT " G " DISCLOSURE OF OWNERSHIP/PRINCIPALS**

**EXHIBIT " H " PROJECT TASK ORDER**

# EXHIBIT "A"
# SCOPE OF SERVICES

## ARTICLE 100: GENERAL

**100.1** The Scope of Services for this Contract shall be as set forth in each subsequently executed Project Task Order, the format of which is attached hereto as Exhibit "H".

**100.2** The Scope of Services included in each Project Task Order may include any professional services that the Consultant is capable of providing in support of the City's Capital Improvement Program including, but not limited, to the following services:

**City's Department of Operations and Maintenance RFCD Annual Maintenance Engineering Design Services**

The City of Las Vegas (City) is tasked with the maintenance of various Clark County Regional Flood Control District (CCRFCD) facilities located within its limits. The maintenance of these facilities occasionally requires the modification of existing structures within a facility to correct a design flaw or to enhance the intended purpose of the facility.

### GENERAL:

The work shall be performed on a Task Order basis for each project.

The City will identify sites in existing regional flood control facilities that require modification by design.

The City and the Consultant shall meet and discuss each project task order site.

The City may direct the Consultant to prepare a specific design or may request the Consultant to provide a design solution to a problem.

The City will provide location information and visit each site with the Consultant.

The Consultant shall prepare a Task Order proposal for each project and submit to City for review and approval prior to beginning work.

### UNDERSTANDING AND ASSUMPTIONS:

The following are certain understandings and assumptions that shall be relied upon by the Consultant in the preparation of each Task Order proposal:

The Consultant shall prepare a man-hour estimate and budget for each project task order.

The Consultant shall prepare a schedule or time line for the design of each project task order which shall include submittal review periods by the City and utilities for a period fifteen (15) calendar days.

The Consultant and the City shall meet when requested to discuss issues related to each project task order.

The City may provide boundary and topographic survey information to the Consultant, if available, in an AutoCAD 2014 format or may request the Consultant to provide this service.

The City will provide the City's AutoCAD plan sheet template for use by the Consultant.

The City will provide access to existing City files. The Consultant shall research and gather all information pertinent to the project task order site. The City may provide additional information if available.

The Consultant will obtain all existing available information from local utility companies (when applicable) for each project task order site.

The City may provide hydrologic information and / or calculations or request the Consultant to provide this.

The Consultant will perform all necessary design calculations and prepare all necessary plans and special provisions for each project. Plans shall be prepared in AutoCAD 2014 or later. Plan and profile sheets shall be prepared in 1"=20' horizontal and 1"=4' vertical scale where practical. A larger scale may be used with approval by the City. The City shall provide contract "Boiler Plate" and standard specification sections used on City projects for incorporation into the special provisions.

The Consultant will prepare and submit design work at draft and final milestones for review by City. The Consultant shall submit three (3) half-size copies of the design work for the draft submittal including a PDF copy; and submit one (1) half-size copy and one (1) full size copy of the final submittal including a PDF copy. The City shall make every attempt to review, comment and return the draft submittal within fifteen (15) working days of receipt.

The Consultant will submit design work to utilities (when applicable) for review and approval and will obtain signatures (when applicable) on final plans.

The Consultant will provide approved final design plan(s) on bond, sealed by a professional civil engineer registered in the State of Nevada. The Consultant will provide final AutoCAD design drawings compact disk.

The Consultant will prepare an "Estimate of Probable Cost" for each project and submit at each submittal review.

The Consultant will determine if any additional right of way or easements shall to be necessary for each project task order. The City shall obtain any required right of way or easements.

**100.3** The Consultant agrees to include in all its subcontracts related to the Project, and require the same of all sub-subconsultant contracts at all tiers, the provisions of this Contract related to the City's and Consultant's rights (including copyright), ownership and uses of the concepts, designs, documents, intellectual property, and tangible property.

**100.4** Should any portions of the Project contain works provided protection under the Visual Artists Rights Act of 1990 ("VARA"), the Consultant and his subconsultants at all tiers agree to waive and do hereby waive voluntarily all rights to attribution and integrity with respect to any and all claims as may arise under VARA, Nevada Revised Statutes "Works of Art" NRS 597, or any other local, state, foreign, or international law, as currently drafted or as may be hereafter amended, that conveys the same or similar moral rights with respect to any or all portions of the Project, including but not limited to display, removal from display, exhibition, installation, restoration, conservation, storage, study, alteration, destruction, relocation, and any other activities conducted by the City, its officers, employees, agents, contractors, licensees, successors or assigns. The Consultant acknowledges that all such decisions concerning the Project shall be made in the sole discretion of the City, its officers, employees, agents, contractors, licensees, successors or assigns. In addition to the extent such rights may not be waived, Consultant and his subconsultants at all tiers covenant not to assert such rights against the City, its officers, employees, agents, contractors, licensees, successors or assigns.

**100.5** Photos. The requirement for the Consultant to obtain a City issued Film Permit to photograph the Project is waived for the Term of the Task Order. Photographs of the Project taken by the Consultant after final Consultant payment for the Task Order will again require a City issued Film Permit. Reference 10.04, E. Confidentiality for the allowed uses of Consultant photographs.

END OF EXHIBIT "A"

# EXHIBIT "B"

# REQUIRED SUBMITTALS

## ARTICLE 200: GENERAL

**200.1** The Required Submittals for this Agreement shall be as set forth in each subsequently executed Project Task Order, the format of which is attached hereto as Exhibit "H".

**200.2** Throughout the course of each Project Task Order, the Consultant shall brief the City Representative on a regular and frequent basis about the progress of the Project. Unless specified otherwise in the Project Task Order, briefings shall occur no less frequently than monthly and shall accompany invoices for payment. The briefings shall be a written report and shall include the following as appropriate to the Project: the status of and impacts to the Project schedule, milestones, budget, land acquisitions, right of way dedications, easements, utility and regulatory agency review status, all Project activity since the last report, current issues, and a forecast of upcoming activity.

**200.3** All reports shall be on acid-free white paper, 8-1/2 x 11 inches, suitable for photocopying and bound in booklet form.

**200.4** It is understood that the City may make and distribute copies of the reports as necessary in connection with the Project without incurring obligation for additional compensation.

**200.5 Certificates of Insurance**

The Consultant shall deliver to Insurance Tracking Services, Inc. (ITS), the City's authorized designated representative, a certificate of insurance with respect to each required policy to be provided by the Consultant under this Agreement. The required certificates must be signed by the authorized representative of the insurance company shown on the certificate with proof that such person is an authorized representative thereof, and is authorized to bind the named underwriter(s) and their company to the coverage, limits and termination provisions shown thereon.

Submit certificates of insurance to:

City of Las Vegas
C/O Insurance Tracking Services, Inc. (ITS)
P.O. Box 21919
Long Beach, CA 90801

Account Manager: Michael Palacios
Phone: (888) 435-2955 ext. 503 ● Fax: 562-435-2999
Email: michael.palacios@instracking.com

A certified, true and exact copy of each of the project specific insurance policies (including renewal policies) shall be provided to the City upon request.
The Consultant shall promptly deliver to ITS a certificate of insurance with respect to each renewal policy, as necessary to demonstrate the maintenance of the required insurance coverage for the terms specified herein. Such certificate shall be delivered to ITS not less than 30 days prior to the expiration date of any policy and bear a notation evidencing payment of the premium thereof.

END OF EXHIBIT "B"

# EXHIBIT "C"

# PERFORMANCE SCHEDULE

## ARTICLE 300: GENERAL

**300.1** AGREEMENT RENEWALS. The initial performance period shall be from the Award Date through and including **June 30, 2021**. The City may, at its sole option, extend performance period for up to **3 one-year** periods beyond **June 30, 2021.** The City shall provide written notice to the Consultant of such extension, and the Consultant may not assume an automatic renewal. Exercise of an option does not commit the City to exercise further options.

**300.2** TASK ORDER. The Performance Schedule for each executed Project Task Order shall be as stated in the Task Order, the format of which is attached hereto as Exhibit "H".

END OF EXHIBIT "C"

# EXHIBIT "D"

# FEE BREAKDOWN

## ARTICLE 400: GENERAL

**400.1** The Fee Breakdown for this Agreement shall be as set forth in each executed Project Task Order, the format of which is attached hereto as Exhibit "H".

**400.2** The total Blanket Agreement maximum not-to-exceed fee for all of the Project Task Orders is **$150,000 annually.**

END OF EXHIBIT "D"

# EXHIBIT "E"

# ADDITIONAL COMPENSATION

## ARTICLE 500: CONSULTANT HOURLY RATES

**500.1** The following hourly rates are to be used as the basis for negotiation of added and reduced services. These hourly rates are valid for the duration of the Project and include salary costs, overhead, administration and profit. The overhead included in these rates covers all support personnel who normally work on non-specific project tasks including but not limited to receptionists, senior executives together with their assistants, financial accounting personnel, and personnel maintaining facilities, equipment and computers.

| CLASSIFICATION | RATE | UNIT |
|---|---|---|
| Project Manager | $204.00 | Per Hour |
| Sr. Project Engineer | $194.00 | Per Hour |
| Project Engineer | $165.00 | Per Hour |
| Senior Designer | $151.00 | Per Hour |
| Technician / Designer | $142.00 | Per Hour |
| Engineering Intern | $110.00 | Per Hour |
| CAD Tech | $100.00 | Per Hour |
| Clerical | $71.00 | Per Hour |

## ARTICLE 501: ADDITIONAL SERVICES RATES

**501.1** The cost of the following potential future Additional Services have been negotiated as of the date of this Agreement.

| ADDITIONAL SERVICE | SUBMITTALS | SCHEDULE IMPACT | FIXED FEE |
|---|---|---|---|
| None authorized or anticipated as of the date of this Agreement. | | | $0 |
| | | | $0 |

## ARTICLE 502: REIMBURSABLE EXPENSES

**502.1** The following Reimbursable Expenses are allowed:

| REIMBURSABLE EXPENSE |
|---|
| None authorized or anticipated as of the date of this Agreement. |
| |

**502.2** For Reimbursable Expenses of the Consultant, the City shall compensate the Consultant a multiple of **one (1.0)** times the actual direct costs incurred by the Consultant. The multiplier includes all compensation for overhead and profit.

**502.3** Reimbursable Expenses are limited to specific pre-authorized items or services purchased from third parties to this Agreement, dedicated to only this Project. Additions to the above allowed Reimbursable Expenses may only be granted as a written amendment to this Agreement.

**502.4** Travel and per diem expenses are included in the Basic Services Fees, Consultant Hourly Rates, and Additional Services Rates shown in this Agreement, and may otherwise only be authorized as reimbursable expenses by written amendment to this Agreement.

END OF EXHIBIT "E"

# EXHIBIT "F"

# KEY PERSONNEL LIST

## ARTICLE 600: CITY PERSONNEL

**600.1** CITY REPRESENTATIVE for this Blanket Agreement: **Matthew Meyer, P.E.**

**600.2** CITY REPRESENTATIVE'S SUPERVISOR:

**600.3** CITY REPRESENTATIVE for each subsequent Project Task Order: As stated in each Project Task Order.

## ARTICLE 601: CONSULTANT'S PROJECT STAFF

**601.1** Unless stated otherwise in the Project Task Order, the following personnel will be assigned by the Consultant to work on the subsequent Project Task Order work. Any changes or additions require City approval.

**601.1.1** CONSULTANT REPRESENTATIVE: **Mark J. Failla, P.E., CFM**
**601.1.2** CONSULTANT REPRESENTATIVE'S SUPERVISOR: **Jerry Slater, P.E.**

**601.1.3** RESPONSIBLE IN CHARGE PERSON **Mark J. Failla, P.E., CFM**
List name of individual Engineer as licensed:

**601.1.4** IN CHARGE PERSON'S STATE OF NEVADA LICENSE NUMBER
List Engineer license number: **14566**

**601.1.5** PROJECT MANAGER: **To be determined with each specific task order.**

**601.1.6** TECHNICIAN/CADD: **To be determined with each specific task order.**

**601.1.7** CLERICAL: **To be determined with each specific task order.**

## ARTICLE 602: CONSULTANT'S SUBCONSULTANTS

**602.1** Unless stated otherwise in the Project Task Order, the following subconsultants will be contracted with and utilized by the Consultant to work on the Project. Any changes or additions require City approval.
**602.1.1** ENVIRONMENTAL: **Newfields**
**602.1.2** STRUCTURAL: **G.C. Wallace**
**602.1.3** SUBSURFACE UTILITY EXPLORATION: **Cardno TBE**
**602.1.4** SURVEY: **Wallace Morris Kline Surveying**

END OF EXHIBIT "F"

# EXHIBIT "G"

## CERTIFICATE - DISCLOSURE OF OWNERSHIP/PRINCIPALS

### 1. Definitions

"City" means the City of Las Vegas.

"City Council" means the governing body of the City of Las Vegas.

"Contracting Entity" means the individual, partnership, or corporation seeking to enter into a contract or agreement with the City of Las Vegas.

"Principal" means, for each type of business organization, the following: (a) sole proprietorship – the owner of the business; (b) corporation – the directors and officers of the corporation; but not any branch managers of offices which are a part of the corporation; (c) partnership – the general partner and limited partners; (d) limited liability company – the managing member as well as all the other members.

### 2. Policy

In accordance with Resolution 79-99 and 105-99 adopted by the City Council, Contracting Entities seeking to enter into certain contracts or agreements with the City of Las Vegas must disclose information regarding ownership interests and principals. Such disclosure generally is required in conjunction with a Request for Proposals (RFP). In other cases, such disclosure must be made prior to the execution of a contract or agreement.

### 3. Instructions

The disclosure required by the Resolutions referenced above shall be made through the completion and execution of this Certificate. The Contracting Entity shall complete Block 1, Block 2, and Block 3. The Contracting Entity shall complete either Block 4 or its alternate in Block 5. Specific information, which must be provided, is highlighted. An Officer or other official authorized to contractually bind the Contracting Entity shall sign and date the Certificate, and such signing shall be notarized.

### 4. Incorporation

This Certificate shall be incorporated into the resulting contract or agreement, if any, between the City and the Contracting Entity. Upon execution of such contract or agreement, the Contracting Entity is under a continuing obligation to notify the City in writing of any material changes to the information in this Certificate. This notification shall be made within fifteen (15) days of the change. Failure to notify the City of any material change may result, at the option of the City, in a default termination (in whole or in part) of the contract or agreement, and/or a withholding of payments due the Contracting Entity.

| Block 1 | **Contracting Entity** |
|---|---|
| Westwood Professional Services, Inc. | |
| Name | |
| 12701 Whitewater Drive, Suite 300<br>Minnetonka, MN 55343 | |
| Address | 952-937-5150 |
| Telephone | 41-1617552. |
| EIN or DUNS | |

| Block 2 | **Description** |
|---|---|
| Subject Matter of Contract/Agreement: | |
| **Blanket Services Agreement for the City's Department of Operations and Maintenance, Clark County Regional Flood Control District (RFCD) Annual Maintenance Engineering Design Services** | |
| RFP #: | 200247-JH |

| Block 3 | **Type of Business** | | | | | | |
|---|---|---|---|---|---|---|---|
| ☐ | Individual | ☐ | Partnership | ☐ | Limited Liability Company | X | Corporation |

# CERTIFICATE – DISCLOSURE OF OWNERSHIP/PRINCIPALS
(CONTINUED)

**Block 4** — **Disclosure of Ownership and Principals**

In the space below, the Contracting Entity must disclose all principals (including partners) of the Contracting Entity, as well as persons or entities holding more than one-percent (1%) ownership interest in the Contracting Entity.

| | FULL NAME/TITLE | BUSINESS ADDRESS | BUSINESS PHONE |
|---|---|---|---|
| 1. | Attached. | | |
| 2. | | | |
| 3. | | | |
| 4. | | | |
| 5. | | | |
| 6. | | | |
| 7. | | | |
| 8. | | | |
| 9. | | | |
| 10. | | | |

The Contracting Entity shall continue the above list on a sheet of paper entitled "Disclosure of Principals – Continuation" until full and complete disclosure is made. If continuation sheets are attached, please indicate the number of sheets: 1

**Block 5** — **Disclosure of Ownership and Principals - Alternate**

**11** If the Contracting Entity, or its principals or partners, are required to provide disclosure (of persons or entities holding an ownership interest) under federal law (such as disclosure required by the Securities and Exchange Commission or the Employee Retirement Income Act), a copy of such disclosure may be attached to this Certificate in lieu of providing the information set forth in Block 4 above. A description of such disclosure documents must be included below.

Name of Attached Document: _____

Date of Attached Document: _____ Number of Pages: _____

**12** I certify, under penalty of perjury, that all the information provided in this Certificate is current, complete, and accurate. I further certify that I am an individual authorized to contractually bind the above named Contracting Entity.

Paul [illegible]
Name

6/18/2020
Date

Subscribed and sworn to before me this 18 day of June, 2020.

Gae Marie Lueck
Notary Public

GAE MARIE LUECK
Notary Public
Minnesota
My Commission Expires
Jan 31, 2023

## Ownership Disclosure - Westwood Professional Services, Inc
## 6/17/2020

| Name | Title | Business Address | Business Phone |
|---|---|---|---|
| Paul Greenhagen | President / CEO | 906 East Greenway Parkway Suite 250 Scottsdale, AZ 85254 | 952-937-5150 |
| Jason McCarty | Vice President, Land Division, North | 12701 Whitewater Drive Suite 300 Minnetonka, MN 55343 | 952-937-5150 |
| Chris Moehrl | Director, Wind | 12701 Whitewater Drive Suite 300 Minnetonka, MN 55343 | 952-937-5150 |
| Aaron Tippie | Senior Vice President, Power Divisio | 12701 Whitewater Drive Suite 300 Minnetonka, MN 55343 | 952-937-5150 |
| Dan Beckmann | Vice President, Power Delivery | 12701 Whitewater Drive Suite 300 Minnetonka, MN 55343 | 952-937-5150 |
| Steve Windingland | Vice President, Wind | 2740 Dallas Parkway Suite 280 Plano, TX 75093 | 952-937-5150 |
| Dan Parks | Senior Project Manager | 12701 Whitewater Drive Suite 300 Minnetonka, MN 55343 | 952-937-5150 |
| Fran Hagen | Director, Residential Market | 12701 Whitewater Drive Suite 300 Minnetonka, MN 55343 | 952-937-5150 |
| Chris Carda | Director, Civil Engineering Services | 12701 Whitewater Drive Suite 300 Minnetonka, MN 55343 | 952-937-5150 |
| Bryan Powell | Senior Vice President, Land Division | 2740 Dallas Parkway Suite 280 Plano, TX 75093 | 952-937-5150 |
| Rob Copouls | Vice President, Power Operations | 12701 Whitewater Drive Suite 300 Minnetonka, MN 55343 | 952-937-5150 |
| Jerry Slater | Vice President, Land Division, West | 5740 S. Arville Street Suite 216 Las Vegas, NV 89118 | 952-937-5150 |
| Ken Hanifan | Vice President, Land Division, Strate | 5740 S. Arville Street Suite 216 Las Vegas, NV 89118 | 952-937-5150 |
| Eric Hansen | Director, Environmental Services | 12701 Whitewater Drive Suite 300 Minnetonka, MN 55343 | 952-937-5150 |
| Chris Hoglund | Director, Land Surveying Services | 12701 Whitewater Drive Suite 300 Minnetonka, MN 55343 | 952-937-5150 |
| Nate Carlson | Director, Land Survey Service | 12701 Whitewater Drive Suite 300 Minnetonka, MN 55343 | 952-937-5150 |
| Clare McDonough | Vice President, Brand Communicatic | 12701 Whitewater Drive Suite 300 Minnetonka, MN 55343 | 952-937-5150 |
| Mallory Lindgren | Vice President, Solar and Storage | 12701 Whitewater Drive Suite 300 Minnetonka, MN 55343 | 952-937-5150 |
| David Weetman | Environmental Permitting Manager | 12701 Whitewater Drive Suite 300 Minnetonka, MN 55343 | 952-937-5150 |
| Mike McCullough | Director, Aerial Mapping Service | 7501 College Blvd Suite 101 Overland Park, KS 66210 | 952-937-5150 |
| Todd Steadham | Director, Residential Market | 5740 S. Arville Street Suite 216 Las Vegas, NV 89118 | 952-937-5150 |
| Mark Failla | Director, Water Resource Service | 5740 S. Arville Street Suite 216 Las Vegas, NV 89118 | 952-937-5150 |
| Randy Pogue | Vice President, Land Division, South | 2740 Dallas Parkway Suite 280 Plano, TX 75093 | 952-937-5150 |
| Randy Carroll | Director, Transportation Service | 5740 S. Arville Street Suite 216 Las Vegas, NV 89118 | 952-937-5150 |
| Cory Meyer | Senior Project Manager | 12701 Whitewater Drive Suite 300 Minnetonka, MN 55343 | 952-937-5150 |
| Kevin Larabee | Vice President, Human Resources | 12701 Whitewater Drive Suite 300 Minnetonka, MN 55343 | 952-937-5150 |

# EXHIBIT "H"

Each Task Order will be issued through the following procedure:

(a) **Service Proposal -** The City will request a proposal for a specific Task Order and will provide the following information pertinent to the task:

(i) Proposal instructions;
(ii) A statement of work;
(iii) A description of expected deliverables;
(iv) A completion date;
(v) Other special terms and conditions; and
(vii) Estimated task order budget

The Company will respond with a proposal. The proposal may be subject to negotiation.

(b) **Task Order Format -** The City will evaluate each Task Order proposal. The City is under no obligation to award a Task Order. Each Task Order issued by the City will contain the following information:

(i) Order date;
(ii) Agreement number and task order number;
(iii) Purchase order number;
(iv) Statement of Work and Deliverables;
(v) Period of performance, place of performance and delivery schedule; and
(vi) Firm fixed Task Order price

(c) **Authorization for work to begin –** A purchase order will be issued to authorize work to begin on an approved Task Order.

(d) **Task Order Sample:**

# PROJECT TASK ORDER Number H-___

| |
|---|
| Blanket Agreement Project Name: General and Civil Engineering Services |
| Blanket Agreement Date: |
| Blanket Agreement Maximum Not-to-Exceed Fee: $150,000 |
| Total Aggregate Fee Commitments prior to this Task Order: |
| Consultant's Business Name: |

Whereas the City and Consultant have signed a Blanket Agreement for the Consultant to provide professional services described in the Agreement for the above named project(s), containing a not-to-exceed maximum aggregate fee that has not been fully utilized, and the City desires to utilize the Blanket Agreement to provide services for the following particular specific Project:

| |
|---|
| Project Name: |
| Location: |
| Description: |
| Construction Cost Budget: |

The parties do hereby agree to the follow terms and conditions for this Project Task Order:

**Section A - Scope of Services:**

**Section B – Required Submittals:**

**Section C – Performance Schedule:**

**Section D – Fee Breakdown:**

**Section E – Additional Compensation:**

**Section F – Key Personnel List:**

**Section G – Disclosure:**

Upon execution hereof, this Project Task Order shall be attached to the Blanket Agreement.

Dated this _____ day of _____, _____.

By: _____ By: _____
Consultant City

# EXHIBIT "G"

## CERTIFICATE - DISCLOSURE OF OWNERSHIP/PRINCIPALS

**1. Definitions**

*"City"* means the City of Las Vegas.

*"City Council"* means the governing body of the City of Las Vegas.

*"Contracting Entity"* means the individual, partnership, or corporation seeking to enter into a contract or agreement with the City of Las Vegas.

*"Principal"* means, for each type of business organization, the following: (a) sole proprietorship – the owner of the business; (b) corporation – the directors and officers of the corporation; but not any branch managers of offices which are a part of the corporation; (c) partnership – the general partner and limited partners; (d) limited liability company – the managing member as well as all the other members.

**2. Policy**

In accordance with Resolution 79-99 and 105-99 adopted by the City Council, Contracting Entities seeking to enter into certain contracts or agreements with the City of Las Vegas must disclose information regarding ownership interests and principals. Such disclosure generally is required in conjunction with a Request for Proposals (RFP). In other cases, such disclosure must be made prior to the execution of a contract or agreement.

**3. Instructions**

The disclosure required by the Resolutions referenced above shall be made through the completion and execution of this Certificate. The Contracting Entity shall complete Block 1, Block 2, and Block 3. The Contracting Entity shall complete either Block 4 or its alternate in Block 5. Specific information, which must be provided, is highlighted. An Officer or other official authorized to contractually bind the Contracting Entity shall sign and date the Certificate, and such signing shall be notarized.

**4. Incorporation**

This Certificate shall be incorporated into the resulting contract or agreement, if any, between the City and the Contracting Entity. Upon execution of such contract or agreement, the Contracting Entity is under a continuing obligation to notify the City in writing of any material changes to the information in this Certificate. This notification shall be made within fifteen (15) days of the change. Failure to notify the City of any material change may result, at the option of the City, in a default termination (in whole or in part) of the contract or agreement, and/or a withholding of payments due the Contracting Entity.

| Block 1 | **Contracting Entity** |
|---|---|
| Westwood Professional Services, Inc. | |
| Name | |
| 12701 Whitewater Drive, Suite 300<br>Minnetonka, MN 55343 | |
| Address | 952-937-5150 |
| Telephone | 41-1617552. |
| EIN or DUNS | |

| Block 2 | **Description** |
|---|---|
| Subject Matter of Contract/Agreement: | |
| **Blanket Services Agreement for the City's Department of Operations and Maintenance, Clark County Regional Flood Control District (RFCD) Annual Maintenance Engineering Design Services** | |
| RFP #: | 200247-JH |

| Block 3 | **Type of Business** | | | | | | |
|---|---|---|---|---|---|---|---|
| ☐ | Individual | ☐ | Partnership | ☐ | Limited Liability Company | X | Corporation |

# CERTIFICATE – DISCLOSURE OF OWNERSHIP/PRINCIPALS
(CONTINUED)

**Block 4** **Disclosure of Ownership and Principals**

In the space below, the Contracting Entity must disclose all principals (including partners) of the Contracting Entity, as well as persons or entities holding more than one-percent (1%) ownership interest in the Contracting Entity.

| | FULL NAME/TITLE | BUSINESS ADDRESS | BUSINESS PHONE |
|---|---|---|---|
| 1. | Attached. | | |
| 2. | | | |
| 3. | | | |
| 4. | | | |
| 5. | | | |
| 6. | | | |
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| 8. | | | |
| 9. | | | |
| 10. | | | |

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**Block 5** **Disclosure of Ownership and Principals - Alternate**

**11** If the Contracting Entity, or its principals or partners, are required to provide disclosure (of persons or entities holding an ownership interest) under federal law (such as disclosure required by the Securities and Exchange Commission or the Employee Retirement Income Act), a copy of such disclosure may be attached to this Certificate in lieu of providing the information set forth in Block 4 above. A description of such disclosure documents must be included below.

Name of Attached Document: _____

Date of Attached Document: _____ Number of Pages: _____

**12** I certify, under penalty of perjury, that all the information provided in this Certificate is current, complete, and accurate. I further certify that I am an individual authorized to contractually bind the above named Contracting Entity.

[signature]
Name

6/18/2020
Date

Subscribed and sworn to before me this 18 day of June, 2020.

[signature]
Notary Public

GAE MARIE LUECK
Notary Public
Minnesota
My Commission Expires
Jan 31, 2023

## Ownership Disclosure - Westwood Professional Services, Inc
## 6/17/2020

| Name | Title | Business Address | Business Phone |
|---|---|---|---|
| Paul Greenhagen | President / CEO | 906 East Greenway Parkway Suite 250 Scottsdale, AZ 85254 | 952-937-5150 |
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| Mike McCullough | Director, Aerial Mapping Service | 7501 College Blvd Suite 101 Overland Park, KS 66210 | 952-937-5150 |
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| Randy Carroll | Director, Transportation Service | 5740 S. Arville Street Suite 216 Las Vegas, NV 89118 | 952-937-5150 |
| Cory Meyer | Senior Project Manager | 12701 Whitewater Drive Suite 300 Minnetonka, MN 55343 | 952-937-5150 |
| Kevin Larabee | Vice President, Human Resources | 12701 Whitewater Drive Suite 300 Minnetonka, MN 55343 | 952-937-5150 |

# *AGENDA SUMMARY PAGE*
**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**11**

**DEPARTMENT: Finance** **CONSENT**
**DIRECTOR: Venetta Appleyard**

**SUBJECT:**
For possible action to approve award of Contract No. 200250-PH, Wellness Coaching Services - Department of Human Resources - Award recommended to: 702 WELLNESS CONSULTING, LLC ($156,000 - Employee Benefit Internal Service Fund) - All Wards

**FISCAL IMPACT:**
Budget Funds Available
Amount: $156,000
Funding Source: Employee Benefit ISF
Dept./Division: Human Resources

**PURPOSE/BACKGROUND:**
As part of its commitment to employee health and to further goals for the reduction of absenteeism, increased productivity, and improved employee fitness, the City provides wellness coaching services for staff. This Contract provides for comprehensive onsite wellness coaching services including diet and exercise counseling, fitness training, smoking cessation, stress reduction, BMI measurement, regular blood pressure checks, and scheduled and periodic visits with employees at various City facilities. This Contract retains the services of veteran wellness coach, Rebekah Henderson, replacing Contract No. 070294-CW with Wellness Coaches USA, which ended June 30 2020, in the annual amount of $204,000. This item is exempt from the competitive bidding process pursuant to NRS 332.115.1. (b), Professional Services. 702 Wellness Consulting, LLC is located in Las Vegas, Nevada.

**RECOMMENDATION:**
Approve as recommended for two (2) years from award date in the annual amount of $78,000, with signature authority granted to the Finance Director per R-20-2017.

**BACKUP DOCUMENTATION:**
1. Contract No. 200250-PH
2. Certificate - Disclosure of Ownership/Principals

# WELLNESS COACHING SERVICES

THIS CONTRACT is being entered into this _____ day of _____, 2020, by and between the City of Las Vegas (hereinafter the "City"), a municipal corporation within the State of Nevada having its principal office at 495 South Main Street, Las Vegas, Nevada 89101, and 702 Wellness Consulting, LLC, (hereinafter the "Company"), a Nevada limited liability company having its principal office at 12255 Lorenzo Avenue, Las Vegas, Nevada 89138.

## SECTION A – Contract Overview

### A-1 Summary of Contract [CAO-8/28/19]

This Contract sets forth the terms and conditions for the performance of services described herein, and the execution hereof by the parties hereto forms a legally binding contract. This is a Non-Exclusive Contract.

(a)

| | | | |
|---|---|---|---|
| **Contract Synopsis**<br>The legally binding Statement of Work is more fully defined in Section C | Employee Wellness Coaching Services | | |
| **Performance Dates**<br>The Performance Period is more fully defined in Section A-2 | **Award Date**<br>See first paragraph | **Expiration Date**<br>Two years from date of award | **Option Periods**<br>None |
| **Contract Type**<br>As defined in Section B-1 | The contract type is Firm Fixed Price | | |
| **Contract Amount**<br>This Not-to-Exceed Amount is subject to Section C-2 | $156,000 | Firm Fixed Fee | |

(b)

| **Contract Exhibits / Attachments** The following documents are hereby incorporated into this Contract |
|---|
| Exhibit A – Proposal<br>Attachment 1 – Certificate of Disclosure |

(c)

| | | | |
|---|---|---|---|
| **City Project Manager**<br>Per Section D-4, (a) | **Name**<br>Vince Zamora | **Phone**<br>(702) 229-5043 | **Email**<br>vzamora@lasvegasnevada.gov |
| **Company Representative**<br>Per Section D-4, (b) | **Name**<br>Rebekah Henderson | **Phone**<br>(818) 307-0651 | **Email**<br>rsaretsky@lasvegasnevada.gov |

(d)

| **City Legal Notice Representative** per Section E-1 | | | |
|---|---|---|---|
| **Company Legal Notice Representative**<br>Per Section E-1 | **Name & Title**<br>Rebekah Henderson | **Address**<br>12255 Lorenzo Ave<br>Las Vegas, NV 89138 | **Email**<br>rsaretsky@lasvegasnevada.gov |

**A-2 Performance Period**

(a) The performance period commences on the Award Date and continues through the expiration date.

(b) The City reserves the right to temporarily extend this Contract for up to one hundred eighty (180) calendar days from the expiration date, for any reason.

## SECTION B – Basic Terms

**B-1 Definitions** [CAO-08/28/19]

The following definitions apply to this Contract:

(a) *"Award Date"* means the date that a Contract becomes effective. It is the date entered into the first paragraph of a Contract upon execution by an authorized representative of the City.

(b) *"Contract"* means this document, consisting of Sections A through E, and the exhibits and attachments attached hereto, which is binding and effective only upon execution by the City.

(c) *"Contract Amount"* means the maximum amount of compensation that may be paid to the Company for performance of the Contract, which includes, without limitation, compensation for all direct and indirect expenses.

(d) *"Deliverable"* means any report, software, hardware, data, documentation or other tangible item that the Company is required to provide to the City under the terms of the Contract.

(e) *"Fixed Fee Contract"* means a contract that provides for a firm price that is not subject to any adjustment on the basis of the Company's cost experience in performing the Contract.

(f) *"Non-Exclusive Contract"* means a Contract under which the City agrees to obtain some, but not necessarily all, of the City's requirements for a particular service.

## SECTION C – Statement of Work

Services will be provided in accordance with Exhibit A, Proposal.

## SECTION D – Special Conditions

**D-1 Payment** [CAO-4.2020]

(a) Payment Payment to the Company will be made only for the actual services performed and accepted by the City, upon receipt of an invoice submitted in accordance with Section D-3, "Invoices". Fees are paid as follows:

- One Full Time Coach - $6,500 per month

(b) Reimbursable Travel Expenses There are no reimbursable travel expenses authorized or payable under this Contract.

**D-2 Fee Revisions** [CAO-08/28/19]

For the term of this Contract, fees shall remain firm.

**D-3 Invoices** [CAO-4/2020]

(a) The Company will submit a detailed invoice to the City monthly, for work performed to date. Each invoice shall contain the following information:

(i) the date of the invoice and invoice number;
(ii) the Purchase Order number; and
(iii) the performance dates covered by the invoice.

(b) Upon reconciliation of all errors, corrections, credits, and disputes, payment to the Company will be made in full within thirty (30) calendar days. **Invoices received without a valid Purchase Order number will be returned unpaid.**

**The Company shall submit the original invoice to:**

Department of Finance
ATTN: Accounts Payable
City of Las Vegas
495 South Main Street, 4th Floor
Las Vegas, NV 89101–2986

(c) The Company shall forward a copy of the invoice to the City's Project Manager, identified in Section D-4, "Project Manager/Company Representative."

The City may subtract or offset from any unpaid invoice from the Company any claims, which the City may have incurred for failure of the Company to comply with the terms, conditions or covenants of this Contract, or any damages, costs and expenses caused by, resulting from, or arising out of the negligent act or omission of the Company in the performance of the services under this Contract. Within ten (10) calendar days, the City shall provide a written statement to the Company of the off-set which has been subtracted from any payment to the Company along with appropriate documentation and receipts, if any, and a description of the failure, error or deficiency attributed to the Company. The Company may dispute the right or amount of the off-set made by the City by providing written notification to the City within ten (10) calendar days after receipt of the City's written notice. The City shall provide a written response to the Company within ten (10) calendar days of receipt of the Company's written dispute notice. If the Company disputes the City's determination, the Company may file a claim pursuant to Section E-2, "Disputes" of this Contract.

**D-4 Project Manager/Company Representative** [CAO-8/28/19]

(a) The City's designated Project Manager for this Contract is named in Section A-1 (c). The City will provide written notice to the Company should there be a subsequent Project Manager change. The Project Manager will be the Company's principal point of contact at the City regarding any matters relating to this Contract, will provide all general direction to the Company regarding Contract performance, and will provide guidance regarding the City's goals and policies. *The Project Manager is not authorized to waive or modify any material scope of work changes or terms of the Contract.*

(b) The Company's designated Company Representative for this Contract is named in Section A-1 (c). The Company will provide written notice to the City should there be a subsequent Company Representative change. The City has the right to assume that the Company Representative has full authority to act for the Company on all matters arising under or relating to this Contract.

**D-5 Insurance** [CAO-04/2020]

(a) The Company shall procure and maintain, at its own expense, during the entire term of the Contract, the following coverage(s):

(i) Industrial/Workers' Compensation Insurance protecting the Company and the City from potential Company employee claims based upon job-related sickness, injury, or accident, during performance of this Contract, and must submit proof of such insurance on a certificate of insurance issued by an insurer qualified to underwrite workers' compensation insurance in the State of Nevada, in accordance with NRS 616A-616D, inclusive. If Company is a sole proprietor, it will be required to submit an affidavit indicating that the Company has elected not to be included in the terms, conditions and provisions of NRS 616A-616D, inclusive, and is otherwise in compliance with those terms, conditions and provisions. <u>The Company's Workers' Compensation policy shall have a waiver of subrogation endorsement in favor of the City of Las Vegas</u>.

(ii) Commercial General Liability Insurance (bodily injury, property damage) with respect to the Company's agents assigned to the activities performed under this Contract in a policy limit of not less than $1,000,000 per occurrence and $2,000,000 in the aggregate, for bodily injury, products, completed operations, personal injury and property damages. Such coverage shall be on an "occurrence" basis and not on a "claims made" basis, and be provided on either a Commercial General Liability or a Broad Form Comprehensive General Liability (including a Broad form CGL endorsement) insurance form. The form must be written on an ISO Form CG 00 01 10 01, or an equivalent

form. The Company's General Liability policy shall have a waiver of subrogation endorsement in favor of the City of Las Vegas, and shall be endorsed to include the City, its officers, and employees as additional insured.

(iii) Commercial Automobile Liability Insurance of limits no less than $1,000,000 combined single limit per occurrence for bodily injury and property damage to include, but not be limited to, coverage against all insurance claims for injuries to persons or damages to property which may arise from services rendered by Company and any auto used in the performance of services under this Contract. The policy must insure all vehicles **owned** by the Company and include coverage for **hired** and **non-owned** vehicles. If the services requested do not require the use of the vehicle to perform, the Commercial Automobile Liability Insurance requirements as described in this paragraph do not apply. The Company's Automobile Liability policy shall have a waiver of subrogation endorsement in favor of the City of Las Vegas, and shall be endorsed to include the City, its officers, and employees as additional insured.

(b) The Company must provide compliant certificates of insurance and required endorsements to the City or its designated certificate tracking service immediately upon request. The Company shall maintain coverage for the duration of this Contract, and any renewal periods if applicable. The Company shall annually provide the City's designated certificate tracking service with a certificate of insurance and endorsements as evidence that all insurance requirements have been met. A certified, true, and exact copy of each of the project specific insurance policies (including renewal policies) required under this Section shall be provided to the City or it's designated certificate tracking service if so requested.

(c) All required aggregate limits must be disclosed and amounts entered on the certificate(s) of insurance. The certificates must identify the Contract number and the Contract description. The Company and/or insurance carrier shall provide the City with a 30-day advance notice of policy modification, cancellation, or erosion of insurance limits, sent by certified mail "return receipt requested".

(d) The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer and licensed by the State of Nevada. Each insurance carrier's rating as shown in the latest Best's Key Rating Guide shall be fully disclosed and entered on the required certificate of insurance. The City requires insurance carriers to maintain a Best's Key minimum rating of A- VII, A- VIII, A- IX, A- X, or higher. The adequacy of the insurance supplied by the Company, including the rating and financial health of each insurance carrier providing coverage, is subject to the approval of the City.

(e) All deductibles and self-insurance retentions shall be fully disclosed in the certificate of insurance. No deductible or self-insured retention may exceed $25,000 without the prior written approval of the City.

(f) **Companies requesting increased deductibles or self-insured retentions must provide the City a written request stating the desired amounts along with recent audited financial statements for review. The City will review the request and determine if the requested deductibles or self-insured retentions are acceptable. In the event the request for increased deductibles or self-insured retentions is denied, the Company is obligated to provide the deductibles or self-insured retentions established in the Contract at no additional expense to the City.**

(g) If the Company fails to carry the required insurance, the City may (i) order the Company to stop further performance hereunder, declare the Company in breach, pursuant to Section E-5, "Event of Default", terminate the Contract if the breach is not remedied and, if permitted, assess liquidated damages, or (ii) purchase replacement insurance and withhold the costs or premium payments made from the payments due to the Company or charge the replacement insurance costs back to the Company.

(h) Any subcontractor or subconsultant approved by the City shall be required to procure, maintain, and submit proof of insurance to the City of the same insurance requirements as specified above, and as required in this paragraph.

(i) The Company is encouraged to purchase any additional insurance it deems necessary.

(j) The Company is required to remedy all injuries to persons and damage or loss to any property of the City caused in whole or in part by the Company, its subcontractors or anyone employed, directed, or supervised by the Company.

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**D-6 Warranty – Services** [CAO-4/2020]

Company warrants that the services shall be performed in full conformity with this Contract, with the professional skill and care that would be exercised by those who perform similar services in the commercial marketplace, and in accordance with accepted industry practice. In the event of a breach of this warranty, or in the event of non-performance or failure of the

Company to perform the services in accordance with this Contract, the Company shall, at no cost to the City, re-perform or perform the services so that the services conform to the warranty.

**D-7 through D-17 – Reserved**

**D-18 Holidays/Weekends** [CAO-01/20/16]

The Company is excused from performance on weekends and the following legal holidays (on the actual day the holiday is observed):

Martin Luther King's Birthday (observed)
President's Day
Memorial Day
Independence Day
Labor Day
Nevada Admission Day
Veterans Day
Thanksgiving Day and Friday After
Christmas Day
New Year's Day

**D-19 Liquidated Damages** [CAO-01/20/2016]

Assessment of liquidated damages does not apply to this Contract.

## SECTION E – General Conditions

**E-1 Legal Notice** [CAO-4/2020]

(a) Any notice required to be given hereunder shall be deemed to have been given when written notice is (i) received by the party to whom it is directed by personal service; (ii) three (3) days after deposit with the United States Post Office, by registered or certified mail, postage prepaid and addressed to the party to be notified at the address for such party; (iii) one (1) day after deposit with a nationally recognized air courier service such as FedEx; or (iv) by an email sent to the email address of the recipient stated in this Section. All notices shall be effective upon receipt by the party to which notice is given or if it is delivered by email, when the recipient acknowledges having received that email, with an automatic "read receipt" not constituting acknowledgment of an email for notice purposes. Either party hereto may change its address by giving ten (10) days advance notice to the other party as provided herein. Phone and fax numbers, if listed, are listed for information only:

| | |
|---|---|
| FOR THE CITY: | Manager, Purchasing and Contracts<br>City of Las Vegas<br>495 South Main Street, 4th Floor<br>Las Vegas, Nevada 89101-2986<br>Fax: (702) 384-9964<br>Email: purchasing@lasvegasnevada.gov |
| FOR THE COMPANY: | As Noted in Section A-1 (f) of the Contract: |

(b) The parties shall provide written notification of any change in the information stated above.

(c) For purposes of this Contract, legal notice shall be required for all matters involving potential termination actions, litigation, indemnification, and unresolved disputes. This does not preclude legal notice for any other actions having a material impact on the Contract.

(d) Routine correspondence should be directed to the Project Manager or the Company Representative, as appropriate.

**E-2 Disputes** [CAO-4/2020]

(a) For each claim or dispute arising between the parties under this Contract, the parties shall attempt to resolve the matter through escalating levels of management. In the event the matter cannot be successfully resolved in this manner, the

City is granted the sole right, regardless of which party is asserting the claim or dispute, to determine between arbitration and litigation as the forum in which the party desiring to proceed further shall file to resolve the claim or dispute. For any and all claims or disputes asserted by the Company, the Company shall notify the City of its intent to proceed further with the claim or dispute and in response thereto, the City shall notify the Company as to its selected forum for resolution. For any and all claims or disputes asserted by the City, the City shall notify the Company in the notice of its intent to proceed with further resolution whether it has selected arbitration or litigation as the forum to resolve the claim or dispute. In the event arbitration is the designated forum, such arbitration shall be binding on the parties.

(b) If arbitration is selected by the City as the forum for further resolution, the claim or dispute shall be filed with the American Arbitration Association under its then current Commercial Arbitration Rules, Expedited Procedures, regardless of the amount of the claim or dispute.

(c) The laws of the State of Nevada shall govern the validity, construction, performance, and effect of this Contract, without giving effect to its conflict of law provisions. If arbitration is selected, each party hereto consents to, and waives any objection to, venue being the offices of the American Arbitration Association located in Las Vegas, Nevada, or other venue mutually agreed by the parties. If litigation is selected, each party hereto consents to, and waives any objection to, the State courts located in the County of Clark, State of Nevada as the proper and exclusive venue for any disputes arising out of or relating to this Contract or any alleged breach thereof. Each party hereby waives trial by jury in any action, proceeding or counterclaim brought by either of them against the other on any matters whatsoever arising out of or in any way connected with this Contract.

**E-3 Notice of Delay** [CAO-01/20/16]

(a) If timely performance by the Company is jeopardized by the non-availability of City provided personnel, data, or equipment, the Company shall notify the City immediately in writing of the facts and circumstances causing such delay. Upon receipt of this notification, the City will advise the Company in writing of the action which will be taken to remedy the situation.

(b) The Company shall advise the City in writing of an impending failure to meet established milestones or delivery dates based on the Company's failure to perform. Notice shall be provided as soon as the Company is aware of the situation; however, such notice shall not relieve the Company from any existing obligations regarding performance or delivery.

**E-4 Termination for Convenience** [CAO - 08/22/2019][R]

The City shall have the right at any time to terminate further performance of this Contract, in whole or in part, for any reason whatsoever (including no reason). Such termination shall be effected by sixty (60) days advanced written notice from the City to the Company specifying the extent and effective date of the termination. On the effective date of the termination, the Company shall terminate all work and take all reasonable actions to mitigate expenses. The Company shall submit a written request for incurred costs for services performed through the date of termination, and shall provide any substantiating documentation requested by the City. In the event of such termination, the City agrees to pay the Company within thirty (30) days after receipt of a correct, adequately documented written request. The City's sole liability under this Section is for payment of costs for goods and services requested by the City and actually performed by the Company.

**E-5 Event of Default** [CAO-4/2020]

(a) If, during the term of this Contract, the Company (i) fails to deliver services that comply with the specifications, (ii) fails to deliver the services within the time specified in the Purchase Order or any extension thereof, (iii) fails to make progress so as to endanger the performance of this Contract, (iv) becomes insolvent, bankrupt or makes an assignment for the benefit of creditors, or if a receiver or trustee in bankruptcy is appointed for the Company, or if any proceeding in bankruptcy, receivership, or liquidation is instituted against the Company and is not dismissed within thirty (30) days following commencement thereof, or (v) fails to perform any of the other obligation or requirement of this Contract, then any of the aforementioned failures shall constitute an "Event of Default" under this Contract.

(b) If there occurs an Event of Default, the Company shall be entitled to ten (10) calendar days from written notice thereof to remedy the Event of Default, provided, however, such is capable of being remedied within that period. If the Event of Default can be remedied, but the remedy cannot be completed within the ten (10) day period, the Company may be allowed such additional time as may be reasonably necessary to remedy the Event of Default, provided, however, the remedy is commenced within the ten (10) day period and is diligently pursued to completion but in no event later than thirty (30) days after such written notice. Said time period may be extended at City's sole discretion. If the Event of

Default is incapable of remediation, or is not remedied as required herein, the City may, in addition to any other remedies available in law or equity, invoke any of the remedies provided for under Section E-6, "Termination for Default", below.

**E-6 Termination for Default** [CAO-4/2020]

(a) If the Event of Default is not remedied as required pursuant to Section E-5, "Event of Default", the City may, by written notice to the Company pursuant to Section E-1, "Legal Notice", terminate this Contract in whole or in part.

(b) If this Contract is terminated in whole or in part because the Company has failed to provide goods in compliance with the specifications by the deadline of remediation period, the City may acquire, under reasonable terms and in a manner it considers appropriate, replacement goods that are comparable to the goods that the Company failed to deliver to the City, and the Company shall be liable to the City for any excess costs related thereto. If the City terminates this Contract only in part, the Company shall continue to perform the un-terminated obligations or portions of this Contract.

(c) The Company shall not be liable for any excess costs if the failure to perform the Contract arises from circumstances beyond the control of, and without the fault or negligence on the part of, the Company. These circumstances are limited to such causes as (i) acts of God or of the public enemy, (ii) acts of governmental bodies, (iii) fires, (iv) floods, (v) epidemics/pandemics, (vi) quarantine restrictions, (vii) labor strikes, (viii) freight embargoes, or (ix) unusually severe weather. The time of performance of the Company's obligations under this Contract shall be extended by such period of enforced delay; provided, however, that such reasonably extended time period shall not exceed sixty (60) days. If the foregoing circumstances result in a delay greater than 60 days, the City may terminate the affected portion of the Contract pursuant to the terms of Section E-4, "Termination for Convenience".

(d) The City retains the right to terminate for default immediately if the Company fails to maintain the required insurance, and/or bonding, fails to comply with applicable local, state, and federal statutes governing performance of these services, or fails to comply with statutes involving health or safety.

(e) If the City fails to perform any of its obligations required under this Contract, and the City does not remedy the failure after notice thereof is provided to the City by the Company pursuant to the requirements of Section E-1, "Legal Notice" above, the Company shall have the right to treat the failure as a claim or dispute subject to the resolution provisions of E-2, "Disputes" of this Contract. During the period of such resolution, the Company shall continue with its performance under the Contract.

**E-7 Limitation of Funding/Non-Appropriation** [CAO-4/2020]

The Company acknowledges that City is a governmental entity and the Contract's validity is based upon the availability of public funding under its authority. The City reserves the right to reduce estimated or actual quantities, in whatever amount necessary, without prejudice or liability to the City, if funding is not available or if legal restrictions are placed upon the expenditure of monies for the services required under this Contract. In addition, and without prejudice or liability to the City, if funds are not appropriated or otherwise made available to support continuation in any fiscal year succeeding the first fiscal year, this Contract will be deemed to have been terminated automatically **when appropriated funds expire and** are not available. The City shall notify Company in writing of any such non-allocation of funds at the earliest possible date and shall pay Company any reasonable fees earned and costs incurred in performing this Contract for any period prior to such notice.

**E-8 Changes - Fixed-Price Goods or Services** [CAO-4/2020]

(a) The City may at any time, by written order, and without notice to the sureties, if any, make changes within the general scope of this Contract in any one or more of the following:

(i) Description of services to be performed or goods to be provided.
(ii) Time of performance (i.e., hours of the day, days of the week, etc.).
(iii) Place of performance of the services.
(iv) Time or place of delivery of goods

(b) If any such change causes an increase or decrease in the cost of, or the time required for, performance of any part of the work under this Contract, the Company shall provide current, complete, and accurate documentation to the City in support of any request for equitable adjustment.

(c) The Company must assert its right to an adjustment under this clause within thirty (30) days from the date of receipt of the written order, or shall otherwise be barred and shall have waived any right to an adjustment under this clause.

(d) The parties shall negotiate a timely requested equitable adjustment by mutual written agreement and the change will be effected by purchase order revision. Failure to agree to any adjustment shall be a dispute under Section E-2, "Disputes"; however, nothing in this clause shall excuse the Company from proceeding with the Contract as changed.

**E-9 Entire Contract, Section and Paragraph Headings** [CAO-4/2020]

(a) This Contract represents the entire and integrated agreement between the City and the Company. It supersedes all prior and contemporaneous understandings, negotiations, communications, representations, and agreements, whether oral or written, relating to the subject matter of this Contract.

(b) The section and paragraph headings appearing in this Contract are inserted for the purpose of convenience and ready reference. They do not purport to define, limit, or extend the scope or intent of the language of the sections and paragraphs to which they pertain.

**E-10 Order of Precedence** [CAO-7/24/08]

In the event of a conflict between the specific language set forth in Sections A through E of this Contract and any Attachment or Exhibit, the specific language in Sections A through E shall prevail. Any exception to this order of precedence will be addressed through specific language elsewhere in Sections A through E.

**E-11 Severability** [CAO-7/24/08]

The invalidity, illegality, or unenforceability of any provision of this Contract or the occurrence of any event rendering any portion or provision of this Contract void shall in no way affect the validity or enforceability of any other portion or provision of this Contract. Any void provision shall be deemed severed from this Contract, and the balance of this Contract shall be construed and enforced as if this Contract did not contain the particular portion or provision held to be void. The parties further agree to amend this Contract to replace any stricken provision with a valid provision that comes as close as possible to the intent of the stricken provision. The provisions of this clause shall not prevent this entire Contract from being void should a provision which is of the essence of this Contract be determined void.

**E-12 Waiver** [CAO-7/24/08]

Waiver of any of the terms of this Contract shall not be valid unless it is in writing signed by each party. The failure of the City to enforce any of the provisions of this Contract, or to require performance of any of the provisions herein, shall not in any way be construed as a waiver of such provisions or to affect the validity of any part of this Contract, or to affect the right of the City to thereafter enforce each and every provision of this Contract. Waiver of any breach of this Contract shall not be held to be a waiver of any other or subsequent breach of this Contract.

**E-13 Modification/Amendment** [CAO-7/24/08]

This Contract shall not be modified or amended except by the express written agreement of the parties, signed by a duly authorized representative for each party. Any other attempt to modify or amend this Contract shall be null and void, and may not be relied upon by either party.

**E-14 Assignment** [CAO-7/24/08]

Neither party may assign their rights nor delegate their duties under this Contract without the written consent of the other party. Such consent shall not be withheld unreasonably. Any assignment or delegation shall not relieve any party of its obligations under this Contract.

**E-15 Indemnification** [CAO-4/2020]

(a) In addition to the insurance requirements set forth in Section D-5, “Insurance”, and not in lieu thereof, the Company shall protect, defend, indemnify and hold harmless the City, its elected officials, officers, employees, agents, and consultants (collectively herein the “City”) from and against any and all claims, liabilities, damages, losses, suits, actions, decrees, arbitration awards and judgments including attorney's fees, court costs or other expenses of any and every kind or character (collectively herein the “Liabilities”) which may be recovered from or sought against the City, as a result of, by reason of, or as a consequence of (i) any act or omission, negligent or otherwise, on the part of the Company, its officers, employees, independent contractors, vendors, suppliers, consultants, or agents in the

performance of the terms, conditions and covenants of the Contract; or (ii) a breach of any agreement between the Company and its employees, vendors, independent contractors, suppliers, consultants or agents; or (iii) any default in the performance of any obligation on Company's part to be performed under the terms of this Contract, regardless of whether the Liabilities were caused in part by the City. Company agrees that it is assuming the sole risk of any Liabilities related to the contraction by Company's officers, employees, vendors, suppliers, agents, independent contractors, and consultants or any other person of any viral infection or other disease, including, without limitation, COVID 19, related to the performance of this Contract and that Company's indemnity obligations contained herein cover any such Liabilities. In no event shall the language in this Section constitute or be construed as a waiver or limitation of the City's rights or defenses with regard to sovereign immunity, governmental immunity, or other official immunities and protections as provided by the Federal and State Constitutions or by law.

(b) If a third party claim against the City for negligent performance by the Company is within the limits of its liability insurance, and the insurance company has accepted the City's tender of defense, then the City will pay the Company what is due and owing to them within the payment method specified in this Contract. However, if the claim is greater than the coverage amount, the City, for its protection, may retain any money due and owing the Company under this Contract, until the claim has been resolved. In the event no money is due and owing, the surety, if required, of the Company, may be held until all of the Liabilities have been settled and suitable evidence to that effect furnished to the City.

(c) It is expressly agreed that the Company shall defend the City at Company's expense, by legal counsel reasonably satisfactory to City, against the Liabilities and in the event that the Company fails to do so, the City shall have the right, but not the obligation, to defend the same and to charge all direct and incidental costs, including attorney's fees and court costs, to the Company. Company's indemnity obligations herein are not intended to nor shall they relieve any insurance carrier of its obligations under policies required to be carried by Company pursuant to the provisions of this Contract. Company's obligations under this Section shall survive any termination of this Contract.

**E-16 Patent Indemnity** [CAO-4/2020]

The Company hereby indemnifies and shall defend and hold harmless the City and its representatives respectively from and against all claims, losses, costs, damages, and expenses, including attorney's fees, incurred by City and its representatives, respectively, as a result of or in connection with any claims or actions based upon infringement or alleged infringement of any patent and arising out of the use of the equipment or materials furnished under the contract by the Company, or out of the processes or actions employed by, or on behalf of the Company in connection with the performance of the Contract. The Company shall, at its sole expense, by legal counsel reasonably satisfactory to City, promptly defend against any such claim or action unless directed otherwise by the City or its representative; provided that the City or its representatives shall have notified the Company upon becoming aware of such claims or actions, and provided further that the Company's aforementioned obligations shall not apply to equipment, materials, or processes furnished or specified by the City or its representatives.

**E-17 Audit of Records** [CAO-5/2/12]

(a) The Company agrees to maintain the financial books and records (including supporting documentation) pertaining to the performance of this Contract according to standard accounting principles and procedures. The books and records shall be maintained for a period of three (3) years after completion of this Contract, except that books and records which are the subject of an audit finding shall be retained for three (3) years after such finding has been resolved. If the Company goes out of business, the Company shall forward the books and records to the City to be retained by the City for the period of time required herein.

(b) The City or its designated representative(s) shall have the right to inspect and audit (including the right to copy and/or transcribe) the books and records of the Company pertaining to the performance of this Contract during normal business hours. The City will provide prior written notice to the Company of the audit and inspection. If the books and records are not located within Clark County, the Company agrees to deliver them to the City, or to an address designated by the City within Clark County. In lieu of such delivery, the Company may elect to reimburse the City for the cost of travel (including transportation, lodging, meals, and other related expenses) to inspect and audit the books and records at the Company's office. If the books and records provided to the City are incomplete, the Company agrees to remedy the deficiency after written notice thereof from the City, and to reimburse the City for any additional costs associated therewith including, without limitation, having to revisit the Company's office. The Company's failure to remedy the deficiency shall constitute a material breach of this Contract. The City shall be entitled to its costs and reasonable attorney fees in enforcing the provisions of this Section.

(c) If at any time during the term of this Contract, or at any time after the expiration or termination of the Contract, the City or the City's designated representative(s) find the dollar liability is less than payments made by the City to the Company, the Company agrees that the difference shall be either: (i) repaid immediately by the Company to the City or (ii) at the City's option, credited against any future billings due the Company.

**E-18 Confidentiality – City Information** [CAO-4/2020]

(a) All information, including but not limited to, oral statements, computer files, databases, and other material or data supplied to the Company is confidential and privileged. The Company shall not disclose this information, nor allow to it be disclosed to any person or entity without the express prior written consent of the City. The Company will use at least the same standard of care and exercise equivalent security measures to maintain the confidentiality of the City's information that it uses to maintain the confidentiality of its own confidential information; provided in no event shall such standard be less than reasonable care. The Company shall have the right to use any such confidential information only for the purpose of providing the services under this Contract, unless the express prior, written consent of the City is obtained. City shall be and remain the sole owner of such confidential information. Nothing contained in this Contract shall be construed as granting or conferring any right or license in the City's information or in any patents, software, or other technology, either expressly or by implication to the Company. Upon request by the City, the Company shall promptly return to the City all confidential information supplied by the City, together with all copies and extracts. Company is required to employ the highest ethical standards and shall avoid those actions that are inconsistent with the City's best interest.

(b) The confidentiality requirements shall not apply where (i) the information is, at the time of disclosure by the City, then in the public domain; (ii) the information is known to the Company prior to obtaining the same from the City; (iii) the information is obtained by the Company from a third party who did not receive the same directly or indirectly from the City; or (iv) the information is subpoenaed by court order or other legal process, but in such event, the Company shall notify the City. In such event the City, in its sole discretion, may seek to quash such demand.

(c) The obligations of confidentiality shall survive the termination of this Contract.

**E-19 Marketing Restrictions** [CAO-4/2020]

The Company shall at all times be in compliance with Las Vegas Municipal Code 1.08.050, and shall not publish or sell any information from or about this Contract without the prior written consent of the City. This restriction does not apply to the use of the City's name in a general list of customers, so long as the list does not represent an express or implied endorsement of the Company or its services. The City logo shall not be used without the prior written consent of the City.

**E-20 Intellectual Property Rights** [CAO-4/2020]

All deliverables produced under this Contract, as well as all data, notes and documentation collected on behalf of the City, are exclusively the property of the City. The Company shall have no property interest in, and may assert no claim or lien on, or right to withhold from the City, or right to use said data other than in performance of its obligations pursuant to this Contract, any data it receives from, receives access to, or stores on behalf of the City. At any time during the term of this Contract, and within thirty (30) days of the expiration or termination of this Contract, the Company will upon request return the data to the City at no charge in the format held by Company. On City request, the Company will delete all City data and will provide appropriate certification to the City to document the disposal. The Company shall promptly notify the City if the Company becomes aware of any unauthorized access, acquisition, disclosure, use, modification, destruction or other misuse of the City's data or other confidential information, and shall fully cooperate with the City in any legal action taken by the City to enforce its rights therein. This Section shall survive termination or expiration of this Contract.

**E-21 Taxes/Compliance with Laws** [CAO-08/01/13]

(a) The City is exempt from paying Sales and Use Taxes under the provisions of Nevada Revised Statutes 372.325(4), and Federal Excise Tax, under Registry Number 88-87-0003k. The Company shall pay all taxes, levies, duties and assessments of every nature and kind which may be applicable to any work under this Contract. The Company shall make any and all payroll deductions required by law. The Company agrees to indemnify and hold the City harmless from any liability on account of any and all such taxes, levies, duties, assessments, and deductions.

(b) The Company, in the performance of the obligations of this Contract, shall comply with all applicable laws, rules and regulations of all governmental authorities having jurisdiction over the performance of this Contract including, but not limited to, the Federal Occupational Safety and Health Act.

**E-22 Licenses/Registrations** [CAO-01/20/16]

During the entire performance period of this Contract, the Company shall maintain all federal, state, and local licenses, certifications and registrations applicable to the work performed under this Contract, including maintaining an active City of Las Vegas business license if required by Las Vegas Municipal Code 6.02.060.

**E-23 Non-Discrimination and Fair Employment Practices** [CAO-07/31/13]

(a) Discrimination: The City of Las Vegas is committed to promoting full and equal business opportunity for all persons doing business in Las Vegas. The Company acknowledges that the City has an obligation to ensure that public funds are not used to subsidize private discrimination. Company recognizes that if the Company or their subcontractors or subconsultants are found guilty by an appropriate authority of refusing to hire or do business with an individual or company due to reasons of race, color, religion, sex, sexual orientation, gender identity or expression, age, disability, national origin, or any other legally protected status, City may declare the Company in breach of contract and terminate Contract.

(b) Fair Employment Practices: In connection with the performance of work under this Contract, the Company agrees not to discriminate against any employee or applicant for employment because of race, color, religion, national origin, sex, sexual orientation, gender identity or expression, age, disability, national origin, or any other legally protected status. Such agreement shall include, but not be limited to, the following: employment; upgrading; demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

(c) The Company further agrees to insert this provision in all subcontracts hereunder. Any violation of such provision by a Company shall constitute a material breach of this Contract.

**E-24 Employment of Unauthorized Aliens** [CAO-01/20/16]

In accordance with the Immigration Reform and Control Act of 1986, the Company agrees that it will not employ unauthorized aliens in the performance of this Contract.

**E-25 Conforming Services** [CAO-4/2020]

The services performed under this Contract shall conform in all respects with the requirements set forth in this Contract. The Company shall furnish the City with sufficient data and information needed to determine if the services performed conform to all the requirements of this Contract.

**E-26 Independent Contractor** [CAO-4/2020]

In the performance of its obligations under this Contract, the Company and any other person employed by it shall be deemed to be an independent contractor and not an agent or employee of the City. The Company shall be liable for the actions of any person, organization, or corporation with which it subcontracts to fulfill this Contract. Accordingly, Company shall be responsible for payment of all taxes including federal, state and local taxes arising out of the Company's activities in accordance with this Contract, including by way of illustration but not limitation, federal and state income tax, Social Security tax, unemployment insurance taxes, and any other taxes or business license fees as required under existing or subsequently enacted laws, rules or regulations. Company shall not be entitled to any benefits afforded to City's employees, including without limitation worker's compensation, disability insurance, health insurance, vacation, or sick pay. Company shall be responsible for providing, at Company's expense, and in Company's name, unemployment, disability, worker's compensation, and other insurance, as well as licenses and permits usual or necessary for performance of its obligations pursuant to this Contract. Company shall hereby defend, indemnify, and hold the City harmless from any claims, losses, costs, fees, attorney's fees, liabilities, damages or injuries suffered by the City arising out of Company's failure with respect to its obligations in this Section. Company, upon request, shall furnish evidence satisfactory to the City that any or all of the foregoing obligations have been fulfilled. During Company's contacts with third parties they shall identify themselves as an independent party and not as an employee for the City. Company understands and agrees that they do not have the power or authority to bind City in any capacity. The City shall hold the Company as the sole responsible party for the performance of this Contract. The Company shall maintain complete control over its employees and all of its subcontractors. Nothing

contained in this Contract or any subcontract awarded by the Company shall create a partnership, joint venture, or agency with the City. Neither party shall have the right to obligate or bind the other party in any manner to any third party.

**E-27 Official, Agent and Employees of the City Not Personally Liable** [CAO-01/20/16]

It is agreed by and between the parties of this Contract, that in no event shall any official, officer, employee, or agent of the City in any way be personally liable or responsible for any covenant or agreement therein contained whether expressed or implied, nor for any statement, representation or warranty made herein or in any connection with this Contract.

**E-28 Conflict of Interest (City Officials)** [CAO-4/2020]

(a) An official of the City, who is authorized on behalf of the City to negotiate, make, accept or approve, or take part in negotiating, making, accepting, or approving this Contract, payments under this Contract, or work under this Contract, shall not be directly or indirectly interested personally in this Contract or in any part hereof. No officer, employee, architect, attorney, engineer or inspector of, or for the City, who is authorized on behalf of the City to exercise any legislative, executive, supervisory or other similar functions in connection with this Contract, shall become directly or indirectly interested personally in this Contract or in any part hereof, any material supply contract, subcontract, insurance contract, or any other contract pertaining to this Contract.

(b) Each party represents that it is unaware of any financial or economic interest of any public officer or employee of the City relating to this Contract. Notwithstanding any other provision of this Contract, if such interest becomes known, the City may immediately terminate this Contract for default or convenience, based on the culpability of the parties.

(c) The Company represents and warrants that it has, in accordance with the current policy of the City, disclosed the ownership and principals of the Company on Attachment 1 (Certificate – Disclosure of Ownership/Principals), and that it has a continuing obligation to update this disclosure whenever there is a material change in the information contained therein. Throughout the Contract Term, Company shall notify City in writing of any material change in the above disclosure within ten (10) days of any such change.

**E-29 Public Records** [CAO-5/2/12]

The City is a public agency as defined by state law. As such, it is subject to the Nevada Public Records Law (Chapter 239 of the Nevada Revised Statutes). The City's Records are public records, which are subject to inspection and copying by any person (unless declared by law to be confidential). This Contract and all supporting documents are deemed to be public records.

**E-30 Use By Other Government Entities** [CAO-01/20/16]
A governing body or its authorized representative and the State of Nevada may join or use the contracts of local governments located within or outside this State with the authorization of the contracting vendor. In the event the Company allows another governmental entity to join the Contract, it is expressly understood that the City shall in no way be liable for the obligations of the joining governmental entity.

**E-31 Certification – No Israel Boycott** [CAO – 4/2020]

*(Applicable to contracts with an estimated annual amount over $100,000)*

By signing this Contract, the Company certifies that it is not engaged in, and agrees for the duration of the Contract not to engage in, a boycott of the State of Israel per NRS 332.065.

"Boycott of Israel" means refusing to deal or conduct business with, abstaining from dealing or conducting business with, terminating business or business activities with or performing any other action that is intended to limit commercial relations with Israel; or a person or entity doing business in Israel or in territories controlled by Israel, if such an action is taken in a manner that discriminates on the basis of nationality, national origin or religion. It does not include an action which is based on a bona fide business or economic reason; is taken pursuant to a boycott against a public entity of Israel if the boycott is applied in a nondiscriminatory manner; or is taken in compliance with or adherence to calls for a boycott of Israel if that action is authorized in 50 U.S.C. § 4607 or any other federal or state law.

"Company" means any domestic or foreign sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited-liability partnership, limited-liability company, or other domestic or foreign entity or

business association, including, without limitation, any wholly owned subsidiary, majority owned subsidiary, parent company or affiliate of such an entity or business association, that exists for the purpose of making a profit.

A violation of this Section by Company shall be considered an incurable Event of Default of this Contract, thereby allowing the City to immediately terminate this Contract upon giving Legal Notice to Company.

**E-32 Counterpart Signatures** [CAO-9/24/08]

This Contract may be executed in counterparts. All such counterparts will constitute the same contract and the signature of any party to any counterpart will be deemed a signature to, and may be appended to, any other counterpart. Executed copies hereof may be delivered by facsimile or e-mail and upon receipt will be deemed originals and binding upon the parties hereto, regardless of whether originals are delivered thereafter.

**E-33 Miscellaneous** [CAO – 4/2020]

(a) In the event of a dispute under this Contract which results in litigation or other formal dispute resolution proceedings, the prevailing party shall be entitled to reimbursement of its or their actual reasonable attorney's fees and costs in connection with such proceeding.

(b) Time is of the essence of the Contract and each of its provisions.

IN WITNESS WHEREOF, the parties hereto have caused this Contract to be executed by their duly authorized representatives.

**CITY OF LAS VEGAS**

VENETTA APPLEYARD Date
Director of Finance

**702 WELLNESS CONSULTING, LLC**

REBEKAH HENDERSON 6/23/20 Date
Manager

ATTEST:

LUANN D. HOLMES, MMC Date
City Clerk

APPROVED AS TO FORM:

John S. Ridilla 6/22/2020
Deputy City Attorney Date

John S. Ridilla
Deputy City Attorney

## ATTACHMENT 1 - CERTIFICATE - DISCLOSURE OF OWNERSHIP/PRINCIPALS

### 1. Definitions

*"City"* means the City of Las Vegas.

*"City Council"* means the governing body of the City of Las Vegas.

*"Contracting Entity,"* means the individual, partnership, or corporation seeking to enter into a contract with the City of Las Vegas.

"*Principal"* means, for each type of business organization, the following: (a) sole proprietorship – the owner of the business; (b) corporation – the directors and officers of the corporation; but not any branch managers of offices which are a part of the corporation; (c) partnership – the general partner and limited partners; (d) limited liability company – the managing member as well as all the other members; (e) trust – the trustee and beneficiaries.

### 2. Policy

In accordance with Resolutions 79-99, 105-99 and RA-4-99, adopted by the City Council, Contracting Entities seeking to enter into certain contracts with the City of Las Vegas must disclose information regarding ownership interests and principals. Such disclosure generally is required in conjunction with a Request for Proposals (RFP). In other cases, such disclosure must be made prior to the execution of a contract.

### 3. Instructions

The disclosure required by the Resolutions referenced above shall be made through the completion of this Certificate. The Contracting Entity shall complete Block 1, Block 2, and Block 3. The Contracting Entity shall complete either Block 4 or its alternate in Block 5. Specific information, which must be provided, is highlighted.

### 4. Incorporation

An updated and notarized Certificate shall be incorporated into the resulting contract, if any, between the City and the Contracting entity. Upon execution of such contract, the Contracting Entity is under a continuing obligation to notify the City in writing of any material changes to the information in this Certificate. This notification shall be made within fifteen (15) days of the change. Failure to notify the City of any material change may result, at the option of the City, in a default termination (in whole or in part) of the contract, and/or a withholding of payments due the Contracting Entity.

| **Block 1: Contracting Entity** | |
|---|---|
| **Name:** 702 Wellness Consulting, LLC | |
| **Address:** 12255 Lorenzo Ave | **City / ST / Zip:** Las Vegas, NV 89138 |
| **Telephone:** 818-307-0651 | **EIN or DUNS :** 85-1238794 |
| **Block 2: Description / Subject Matter of Contract** | |
| **Services for:** Wellness Coaching | **Project Number:** 200250-PH |

**Block 3:** **Type of Business**

☐ Individual ☐ Partnership ☒ Limited Liability Company ☐ Corporation ☐ Trust ☐ Other:

## CERTIFICATE - DISCLOSURE OF OWNERSHIP/PRINCIPALS (CONTINUED)

**Block 4: Disclosure of Ownership and Principals**

In the space below, the Contracting Entity must disclose all principals (including partners) of the Contracting Entity, as well as persons or entities holding more than one-percent (1%) ownership interest in the Contracting Entity.

| | FULL NAME/TITLE | BUSINESS ADDRESS | BUSINESS PHONE |
|---|---|---|---|
| 1 | Rebekah Henderson owner/manager | 12555 Lorenzo ave Las Vegas, NV 89138 | 818-307-0651 |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| 5 | | | |
| 6 | | | |
| 7 | | | |
| 8 | | | |
| 9 | | | |
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The Contracting Entity shall continue the above list on a sheet of paper entitled "Disclosure of Ownership/Principals – Continuation" until full and complete disclosure is made. If continuation sheets are attached, please indicate the number of sheets: _____

**Block 5: Disclosure of Ownership and Principals – Alternate**

If the Contracting Entity, or its principals or partners, are required to provide disclosure (of persons or entities holding an ownership interest) under federal law (such as disclosure required by the Securities and Exchange Commission or the Employee Retirement Income Act), a copy of such disclosure may be attached to this Certificate in lieu of providing the information set forth in Block 4 above. A description of such disclosure documents must be included below.

Name of Attached Document: _____

Date of Attached Document: _____ Number of Pages: ____

**Contracting Party Certification** ***(Notarized signature required in event of contract award per section 4, "Incorporation")***

I certify under penalty of perjury, that all the information provided in this Certificate is current, complete and accurate. I further certify that I am an individual authorized to contractually bind the above named Contracting Entity.

R Pell
Signature

6/22/20
Date

Subscribed and sworn to before me this 22nd day of June, 2020

Megan Lynn LaFrenais
Notary Signature

MEGAN LYNN LAFRENAIS
Notary Public-State of Nevada
APPT. NO. 19-3851-01
My Appt. Expires 07-31-2023

# 702 Wellness Consulting, LLC

## Service Proposal for:

## The City of Las Vegas

## June 15, 2020

## 702 Wellness Consulting

"To improve health, well-being and quality of life for all employees, by empowering them to promote and adapt positive attitudes and behaviors through a commitment to wellness."

According to a study published in the Journal of Occupational and Environmental Medicine (JOEM) in 2013, employees who participated in a Workplace Wellness program and successfully improved their well-being, showed a decreased level of lost work time. These employees saved their companies an average of $353 per year. This also reflects about 10.3 hours in productive time each year for the employees who participated in the program.

702 Wellness Consulting wants to see the City of Las Vegas have the same amazing results.

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**Service Proposal**

We are pleased to present this proposal to provide our unique, engagement focused, onsite Wellness Coaching to the City of Las Vegas. We believe that, working together, we can improve the health, safety and overall well-being of your employees. Thank you for allowing us this opportunity.

## Section I: Scope of Work, Pricing and Logistics

### A. Scope of Work

We are proposing to provide our onsite coaching services to all of your employees. We are prepared to coach all employees located at City Hall, The Regional Justice Center and the DSC on a weekly or biweekly schedule. Employees stationed at all other locations will be coached on an "as requested" basis. For us, coaching to our fullest ability means (1) delivering high levels of employee engagement in coaching, (2) achieving substantial improvement in employee population health risk factors, and (3) meaningful cost containment.

### B. Summary of Deliverables

We implement our services through the permanent assignment of one of our staff Wellness Coaches dedicated to your employees. Our Wellness Coaches, go directly to them, right where they work, on a regular basis and rotate through various departments and shifts as scheduled. It is with these frequent, ongoing, private, one-on-one, telephonic and face-to-face interactions where our Wellness Coaches will make their impact. In these individual sessions they are able to tailor their approach in accordance with the needs of each individual employee. And using the stages of change are then able to sustain improvement in lifestyle behaviors and health risks.

Onsite coaching will be scheduled to accommodate all employees in the designated buildings. All interactions will be conducted in appropriate areas, will not interfere with the employees assigned professional duties and will last about 5-15 minutes. Consults will include some combination of advice, counseling and coaching regarding; (1) wellness related lifestyle areas including (but not limited to) nutrition, exercise, weight loss, stress, sleep, blood pressure, smoking cessation, blood work, etc., and (2) how to avoid prevent, self-manage, and otherwise address the common musculoskeletal conditions and symptoms (work related or otherwise) that employees routinely suffer from.

Telephonic, email and virtual coaching will be available when face-to-face coaching isn't practical or convenient. All remote coaching will be scheduled in 15-20 minute appointments as needed with no additional fees incurred.

In order to supplement the program and support our coaching process, some of the services, tools and resources our Wellness Coaches can provide (with your approval) to further enhance employee engagement and contribute to an overall improved wellness culture are:

- Proactive Dissemination of Educational materials
- Blood Pressure Screenings
- Body Composition Testing (i.e. BMI, Body Fat Percentage, Weight, Hydration)
- Health Fair Promotion

- Stretch Program
- Group Educational Sessions
- Fitness Center Education
- Incentive Programs
- Committee Involvement

Your on-site Coach will also be a resource to employees. Directing them to all existing 3rd party health management resources as directed by the City of Las Vegas.

## C. Term

The initial term of this agreement will be for two years from the date of which 702 Wellness begins its services with the City of Las Vegas. At the end of the two years, if either party would like to terminate the agreement a sixty-day notice must be given in writing.

## D. Proposed Price

We propose to provide our Wellness Coaching Services, for the pricing set forth below:

- Monthly fee – $6,500 per month

## Section II: Our Process and Methodology

### A. Engagement

.

It is our presence in the workplace that sets us apart and makes our program unique and effective. Our program is designed to transform Wellness from the remote and impersonal to the human, familiar and personal; making it natural, comfortable and convenient for employees to engage. We accomplish this by establishing relationships with employees through personal and regular interactions in the workplace. During these interactions we are able to educate and help employees through the stages of change on their wellness journey. We do so by developing personal and trusting relationships with them; educating and building their self-awareness while promoting health and wellness values and developing their interest in wellness and their readiness to improve.

### B. Wellness Coaching

Our overall goal is to improve the wellness of all employees at their own pace by focusing on the behavior changes they need to make in order to optimize their health and quality of life. By all employees we mean all employees interested regardless of their health status or stage in life. We want to work with and inspire employees who are not ready to make their lifestyle changes along with those who are ready to take action.

### C. Coaching Model

The 702 Wellness coaching model is based upon scientifically validated behavior change theories and practices. Then adapted and modified to accommodate the logistical realities of workplace delivery and challenges. It is further based on the concept that behavior modification requires an approach which consists of multiple coaching interactions and must be customized to meet the needs of the individual served to achieve lasting success.

The major behavior theories that we apply to our model are those found in the Total Person Concept (Walther 2004), The Transtheoretical Model of Change (Prochaska and DiClemente 1982) and Motivational Interviewing (Miller & Rollnick 2002). From these 3 models we were able to create our own coaching regime which we adapt to meet the unique needs of each employee.

To supplement our one-on-one Coaching process, our Wellness Coaches utilize as follows:

- Distribute relevant health and wellness information to each employee as needed.
- On demand non-invasive biometric testing – blood pressure, body composition, weight, heart rate and waist measurements.
- Structured incentive programs such as weight-loss contests, physical activity programs, health fairs, nutrition classes, stretch programs, and flu prevention education.
- Group educational sessions.

Coaches will also make themselves familiar with your health insurance and related other benefits in order to help promote their use and help employees find assistance with questions.

## ATTACHMENT 1 - CERTIFICATE - DISCLOSURE OF OWNERSHIP/PRINCIPALS

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## CERTIFICATE - DISCLOSURE OF OWNERSHIP/PRINCIPALS (CONTINUED)

**Block 4: Disclosure of Ownership and Principals**

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Name of Attached Document: _____

Date of Attached Document: _____ Number of Pages: ____

**Contracting Party Certification** ***(Notarized signature required in event of contract award per section 4, "Incorporation")***

I certify under penalty of perjury, that all the information provided in this Certificate is current, complete and accurate. I further certify that I am an individual authorized to contractually bind the above named Contracting Entity.

R Bell
Signature

6/22/20
Date

Subscribed and sworn to before me this 22nd day of June, 2020

Megan Lynn Lafrenais
Notary Signature

MEGAN LYNN LAFRENAIS
Notary Public-State of Nevada
APPT. NO. 19-3851-01
My Appt. Expires 07-31-2023

# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**12**

**DEPARTMENT: Finance** **CONSENT**
**DIRECTOR: Venetta Appleyard**

**SUBJECT:**
For possible action to approve the ratification of award of Modification No. 3 to Contract No. 200213-DM, Professional Services Contract for COVID-19 Medical Staffing Services at the ISO-Q Complex located at 850 Las Vegas Boulevard - Department of Community Services - Award recommended to: NURSECORE MANAGEMENT SERVICES LLC dba NURSECORE LAS VEGAS ($62,005 - Special Programs Special Revenue Fund) - Ward 5 (Crear)

**FISCAL IMPACT:**
Budget Funds Available
Amount: $62,005
Funding Source: Special Programs SRF
Dept./Division: Community Services

**PURPOSE/BACKGROUND:**
This ratification is for emergency services provided as a result of the COVID-19 pandemic. This contract was awarded by the Acting Purchasing Manager on April 24, 2020 in the amount of $45,000 for a period of 30 days, with two 30-day extension options. The contract was for RN and LPN medical staffing services for persons housed at the Isolation/Quarantine Complex. Modification No. 1 added a CNA position to the contract. Modification No. 2 was approved by City Council on June 3, 2020, increased the not-to-exceed amount by $150,000 to accommodate 24-hour medical staffing and extended the contract to June 24, 2020. Modification No. 3 increases the contract by $62,005 for a total not-to-exceed amount of $257,005 and extends the contract term until June 30, 2020. NurseCore was selected on a non-competitive basis in accordance with NRS 332.112, Emergency Contracts. NurseCore is located in Las Vegas.

**RECOMMENDATION:**
Approve as recommended with signature authority granted to the Finance Director per R-20-2017.

**BACKUP DOCUMENTATION:**
1. Modification No. 3 to Contract No. 200213-DM
2. Certificate - Disclosure of Ownership/Principals

**CONTRACT MODIFICATION NO. 3**

**Professional Services Contract for**

**COVID-19 Medical Staffing Services**

THIS MODIFICATION NO. 3 is being entered into this _____ day of _____, 20_____, by and between the CITY OF LAS VEGAS (hereinafter, "City"), a municipal corporation within the State of Nevada having its principal office at 495 South Main Street, Las Vegas, Nevada 89101, and NurseCore Management Services LLC dba NurseCore Las Vegas, (hereinafter the "Company"), Texas limited liability company], having its principal office located at 4423 W. Flamingo Road, Las Vegas, NV 89103.

The purpose of this Modification is to add additional nursing services.

The Contract between the City and the Company dated April 24, 2020, and Modification No. 1 dated May 5, 2020, and Modification No. 2 dated June 4, 2020 is hereby modified as follows:

1. **Section A-1 Summary of Contract**

REFERENCE: A-1 (a) Contract Amount

DELETE: Not-to-exceed $195,000 for entire contract period including extensions

REPLACE WITH: Not-to-exceed $257,005 for entire contract period including extensions

REFERENCE: Performance Dates
ADD: Contract period to include all extension periods shall end June 30, 2020.

2. **General**

In the event of any conflict between the Contract and this modification, the provisions of this Modification No. 3 take precedence. All other Contract terms and conditions remain unchanged.

IN WITNESS WHEREOF, the parties hereto have caused this Contract Modification to be executed by their duly authorized representatives.

**CITY OF LAS VEGAS**

VENETTA APPLEYARD Date
Director of Finance

**NURSECORE MANAGEMENT SERVICES LLC dba NURSECORE LAS VEGAS**

Deborah Lollar, President, CEO Date

ATTEST:

LUANN D. HOLMES, MMC Date
City Clerk

APPROVED AS TO FORM:

Dimitri P. Dalacas
Deputy City Attorney

6/11/2020

Deputy City Attorney Date

# ATTACHMENT 2 - CERTIFICATE - DISCLOSURE OF OWNERSHIP/PRINCIPALS

## 1. Definitions

*"City"* means the City of Las Vegas.

*"City Council"* means the governing body of the City of Las Vegas.

*"Contracting Entity,"* means the individual, partnership, or corporation seeking to enter into a contract with the City of Las Vegas.

*"Principal"* means, for each type of business organization, the following: (a) sole proprietorship – the owner of the business; (b) corporation – the directors and officers of the corporation; but not any branch managers of offices which are a part of the corporation; (c) partnership – the general partner and limited partners; (d) limited liability company – the managing member as well as all the other members; (e) trust – the trustee and beneficiaries.

## 2. Policy

In accordance with Resolutions 79-99, 105-99 and RA-4-99, adopted by the City Council, Contracting Entities seeking to enter into certain contracts with the City of Las Vegas must disclose information regarding ownership interests and principals. Such disclosure generally is required in conjunction with a Request for Proposals (RFP). In other cases, such disclosure must be made prior to the execution of a contract.

## 3. Instructions

The disclosure required by the Resolutions referenced above shall be made through the completion of this Certificate. The Contracting Entity shall complete Block 1, Block 2, and Block 3. The Contracting Entity shall complete either Block 4 or its alternate in Block 5. Specific information, which must be provided, is highlighted.

## 4. Incorporation

An updated and notarized Certificate shall be incorporated into the resulting contract, if any, between the City and the Contracting entity. Upon execution of such contract, the Contracting Entity is under a continuing obligation to notify the City in writing of any material changes to the information in this Certificate. This notification shall be made within fifteen (15) days of the change. Failure to notify the City of any material change may result, at the option of the City, in a default termination (in whole or in part) of the contract, and/or a withholding of payments due the Contracting Entity.

| Block 1: Contracting Entity | |
|---|---|
| Name: NurseCore Management Services, LLC DBA NurseCore of Las Vegas | |
| Address: 4423 W Flamingo Rd | City / ST / Zip: Las Vegas, NV 89103 |
| Telephone: 702-458-1137 | EIN or DUNS : 75-2649689 |
| **Block 2: Description / Subject Matter of Contract** | |
| Services for: COVID-19 Medical Staffing Services | Project Number: 200213-DM |

Block 3: Type of Business

☐ Individual ☐ Partnership ☑ Limited Liability Company ☐ Corporation ☐ Trust ☐ Other:

CERTIFICATE – DISCLOSURE OF OWNERSHIP/PRINCIPALS (CONTINUED)

**Block 4: Disclosure of Ownership and Principals**

In the space below, the Contracting Entity must disclose all principals (including partners) of the Contracting Entity, as well as persons or entities holding more than one-percent (1%) ownership interest in the Contracting Entity.

| | FULL NAME/TITLE | BUSINESS ADDRESS | BUSINESS PHONE |
|---|---|---|---|
| 1 | Sharon R Carr | 2201 Brookhollow Plaza Dr, Ste 450, Arlington, TX 76006 | 817.307.1818 |
| 2 | Chandra Carr | 2201 Brookhollow Plaza Dr, Ste 450, Arlington, TX 76006 | 805.319.1647 |
| 3 | | | |
| 4 | | | |
| 5 | | | |
| 6 | | | |
| 7 | | | |
| 8 | | | |
| 9 | | | |
| 10 | | | |

The Contracting Entity shall continue the above list on a sheet of paper entitled "Disclosure of Ownership/Principals – Continuation" until full and complete disclosure is made. If continuation sheets are attached, please indicate the number of sheets: ——

**Block 5: Disclosure of Ownership and Principals – Alternate**

If the Contracting Entity, or its principals or partners, are required to provide disclosure (of persons or entities holding an ownership interest) under federal law (such as disclosure required by the Securities and Exchange Commission or the Employee Retirement Income Act), a copy of such disclosure may be attached to this Certificate in lieu of providing the informationset forth in Block 4 above. A description of such disclosure documents must be included below.

Name of Attached Document: _____

Date of Attached Document: _____ Number of Pages: ____

**Contracting Party Certification** ***(Notarized signature required in event of contract award per section 4, "Incorporation")***

I certify under penalty of perjury, that all the information provided in this Certificate is current, complete and accurate. I further certify that I am an individual authorized to contractually bind the above named Contracting Entity.

Deborah Lollar Digitally signed by Deborah Lollar Date: 2020.05.14 08:35:22 -05'00'

Signature

May 14, 2020

Date

Subscribed and sworn to before me this 14 day of May, 2020

Andrea Moody Digitally signed by Andrea Moody Date: 2020.05.14 08:37:22 -05'00'

Notary Signature

ATTACHMENT 2 - CERTIFICATE - DISCLOSURE OF OWNERSHIP/PRINCIPALS

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*"Principal"* means, for each type of business organization, the following: (a) sole proprietorship – the owner of the business; (b) corporation – the directors and officers of the corporation; but not any branch managers of offices which are a part of the corporation; (c) partnership – the general partner and limited partners; (d) limited liability company – the managing member as well as all the other members; (e) trust – the trustee and beneficiaries.

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|---|---|
| Name: NurseCore Management Services, LLC DBA NurseCore of Las Vegas | |
| Address: 4423 W Flamingo Rd | City / ST / Zip: Las Vegas, NV 89103 |
| Telephone: 702-458-1137 | EIN or DUNS : 75-2649689 |
| **Block 2: Description / Subject Matter of Contract** | |
| Services for: COVID-19 Medical Staffing Services | Project Number: 200213-DM |

Block 3: Type of Business

☐ Individual ☐ Partnership ☑ Limited Liability Company ☐ Corporation ☐ Trust ☐ Other:

CERTIFICATE – DISCLOSURE OF OWNERSHIP/PRINCIPALS (CONTINUED)

**Block 4: Disclosure of Ownership and Principals**

In the space below, the Contracting Entity must disclose all principals (including partners) of the Contracting Entity, as well as persons or entities holding more than one-percent (1%) ownership interest in the Contracting Entity.

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If the Contracting Entity, or its principals or partners, are required to provide disclosure (of persons or entities holding an ownership interest) under federal law (such as disclosure required by the Securities and Exchange Commission or the Employee Retirement Income Act), a copy of such disclosure may be attached to this Certificate in lieu of providing the informationset forth in Block 4 above. A description of such disclosure documents must be included below.

Name of Attached Document: _____

Date of Attached Document: _____ Number of Pages: ____

**Contracting Party Certification** ***(Notarized signature required in event of contract award per section 4, "Incorporation")***

I certify under penalty of perjury, that all the information provided in this Certificate is current, complete and accurate. I further certify that I am an individual authorized to contractually bind the above named Contracting Entity.

Deborah Lollar Digitally signed by Deborah Lollar Date: 2020.05.14 08:35:22 -05'00'

Signature

May 14, 2020

Date

Subscribed and sworn to before me this 14 day of May, 2020

Andrea Moody Digitally signed by Andrea Moody Date: 2020.05.14 08:37:22 -05'00'

Notary Signature

# *AGENDA SUMMARY PAGE*
**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**13**

**DEPARTMENT: Finance** **CONSENT**
**DIRECTOR: Venetta Appleyard**

**SUBJECT:**
For possible action to approve award of Modification No. 4 to Contract No. 130062-CW PCard Services PNC Bank - Department of Finance - Award recommended to: PNC BANK, NATIONAL ASSOCIATION - All Wards

**FISCAL IMPACT:**
None

**PURPOSE/BACKGROUND:**
On February 14, 2013 the Purchasing & Contracts Manager awarded Contract No, 130062-CW PCard Services PNC Bank with a $1,000,000 credit limit. Modification No.1, awarded on October 26, 2016 added the Rebate Program, Modification No. 2, awarded on September 9, 2017 increased the Credit Limit to $2,000,000, Modification No. 3, awarded on July 18, 2019 changed the Rebate Schedule giving the City more favorable rebate terms. This Modification No. 4 increases the Credit Limit from $2,000,000 to $3,000,000. PNC BANK, NATIONAL ASSOCIATION is located in Pittsburgh, Pennsylvania.

**RECOMMENDATION:**
Approve as recommended with signature authority granted to the Finance Director per R-20-2017.

**BACKUP DOCUMENTATION:**
1. Modification No. 4 to Contract No. 130062-CW
2. Certificate - Disclosure of Ownership/Principals

# Amendment to Mutual Use Contract

PNC

**THIS AMENDMENT TO MUTUAL USE CONTRACT** (this "**Amendment**") is made by and between **CITY OF LAS VEGAS** (the **"City"**), and **PNC BANK, NATIONAL ASSOCIATION** ("**PNC**") and shall become effective upon the later of the execution dates (the "**Amendment Effective Date**") set forth on the signature page hereof.

**BACKGROUND**

A. The City and the Bank are parties to that Mutual Use Contract, made as of February 14, 2013 and effective as of December 31, 2012 (together with the exhibits and addenda thereto, and as may have been amended, modified, restated or supplemented from time to time, the **"Agreement"**), which evidences the City's obligations to the Bank for extensions of credit under the purchasing card program governed thereby (the **"Obligations"**).

B. The City and the Bank desire to amend the Agreement as provided for in this Amendment.

**NOW, THEREFORE,** in consideration of the mutual covenants herein contained and intending to be legally bound hereby, the parties hereto agree as follows:

1. The Participating Entity Credit Limit, as defined in the Special Terms and Conditions, attached as Exhibit A to the Agreement (the "**Card Agreement**") is hereby increased from $2,000,000 to $3,000,000. All references in the Agreement to the Participating Entity Credit Limit shall hereafter (i) mean $3,000,000, and (ii) refer to a maximum aggregate credit limit to be available for Purchases, and, if applicable, for Cash Advances that may be outstanding at any one time for (a) the Visa Purchasing Card Account, (b) any other commercial card or purchasing card program the City or Participating Entity may have with PNC, and (c) any program the City or any Participating Entity may have on PNC's ActivePay Private Network[SM].

2. Any and all references to the Agreement shall be deemed to refer to the Agreement as amended by this Amendment. This Amendment is deemed incorporated into the Agreement. Any initially capitalized terms used in this Amendment without definition shall have the meanings assigned to those terms in the Agreement. To the extent that any term or provision of this Amendment is or may be inconsistent with any term or provision in the Agreement, the terms and provisions of this Amendment shall control.

3. The City hereby certifies that: (a) all of its representations and warranties in the Agreement, as amended by this Amendment, are, except as may otherwise be stated in this Amendment: (i) true and correct as of the date of this Amendment, (ii) ratified and confirmed without condition as if made anew, and (iii) incorporated into this Amendment by reference, (b) no Default or event which, with the passage of time or the giving of notice or both, would constitute a Default, exists under the Agreement which will not be cured by the execution and effectiveness of this Amendment, (c) no consent, approval, order or authorization of, or registration or filing with, any third party is required in connection with the execution, delivery and carrying out of this Amendment or, if required, has been obtained, and (d) this Amendment has been duly authorized, executed and delivered so that it constitutes the legal, valid and binding obligation of the City, enforceable in accordance with its terms. The City confirms that the Obligations remain outstanding without defense, set off, counterclaim, discount or charge of any kind as of the date of this Amendment.

4. The City hereby confirms that any collateral for the Obligations, including liens, security interests, mortgages, and pledges granted by the City or third parties (if applicable), shall continue unimpaired and in full force and effect, and shall cover and secure all of the City's existing and future Obligations to PNC, as modified by this Amendment.

5. This Amendment may be signed in any number of counterpart copies and by the parties to this Amendment on separate counterparts, but all such copies shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile transmission shall be effective as delivery of a manually executed counterpart. Upon written request by the other party (which may be made by electronic mail), any party so executing this Amendment by facsimile transmission shall promptly deliver a manually executed counterpart, provided that any failure to do so shall not affect the validity of the counterpart executed by facsimile transmission.

6. Notwithstanding any other provision herein or in the Agreement, the City agrees that this Amendment, the Agreement, any other amendments thereto and any other information, notice, signature card, agreement or authorization related thereto (each, a "**Communication**") may, at PNC's option, be in the form of an electronic record. Any Communication may, at PNC's option, be signed or executed using electronic signatures. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by PNC of a manually signed paper Communication which has been converted into electronic form (such as scanned into PDF format) for transmission, delivery and/or retention. The City and PNC acknowledge and agree that the methods for delivering Communications, including notices, under the Agreement include electronic transmittal to any electronic address provided by either party to the other party from time to time.

7. PNC may modify this Amendment for the purposes of completing missing content or correcting erroneous content, without the need for a written amendment, provided that PNC shall send a copy of any such modification to the City (which notice may be given by electronic mail).

8. This Amendment will be binding upon and inure to the benefit of the City and PNC and their respective heirs, executors, administrators, successors and assigns.

9. This Amendment has been delivered to and accepted by PNC and will be deemed to be made in the State identified in the Governing Law paragraph of the Agreement (the "**State**"). This Amendment will be interpreted and the rights and liabilities of the parties hereto determined in accordance with the laws of the State, excluding its conflict of laws rules, including without limitation the Electronic Transactions Act (or equivalent) in such State (or, to the extent controlling, the laws of the United States of America, including without limitation the Electronic Signatures in Global and National Commerce Act).

10. Except as amended hereby, the terms and provisions of the Agreement remain unchanged, are and shall remain in full force and effect unless and until modified or amended in writing in accordance with their terms, and are hereby ratified and confirmed. Except as expressly provided herein, this Amendment shall not constitute an amendment, waiver, consent or release with respect to any provision of the Agreement, a waiver of any default or Event of Default under the Agreement, or a waiver or release of any of PNC's rights and remedies (all of which are hereby reserved).

## REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

**WITNESS** the due execution of this Amendment as a document under seal.

**PNC BANK, NATIONAL ASSOCIATION**

By:_____
(SEAL)

Print Name:_____

Title:_____

Date:_____

**CITY OF LAS VEGAS**

By:_____
(SEAL)

Print Name:_____

Title: Manager of Purchasing and Contracts

Date:_____

Approved as to Form:
6/4/2020
Dimitri P. Dalacas Date
Deputy City Attorney

## CERTIFICATE - DISCLOSURE OF OWNERSHIP/PRINCIPALS

### 1. Definitions

*"City"* means the City of Las Vegas.

*"City Council"* means the governing body of the City of Las Vegas.

*"Contracting Entity,"* means the individual, partnership, or corporation seeking to enter into a contract with the City of Las Vegas.

"*Principal"* means, for each type of business organization, the following: (a) sole proprietorship – the owner of the business; (b) corporation – the directors and officers of the corporation; but not any branch managers of offices which are a part of the corporation; (c) partnership – the general partner and limited partners; (d) limited liability company – the managing member as well as all the other members; (e) trust – the trustee and beneficiaries.

### 2. Policy

In accordance with Resolutions 79-99, 105-99 and RA-4-99, adopted by the City Council, Contracting Entities seeking to enter into certain contracts with the City of Las Vegas must disclose information regarding ownership interests and principals. Such disclosure generally is required in conjunction with a Request for Proposals (RFP). In other cases, such disclosure must be made prior to the execution of a contract.

### 3. Instructions

The disclosure required by the Resolutions referenced above shall be made through the completion of this Certificate. The Contracting Entity shall complete Block 1, Block 2, and Block 3. The Contracting Entity shall complete either Block 4 or its alternate in Block 5. Specific information, which must be provided, is highlighted.

### 4. Incorporation

An updated and notarized Certificate shall be incorporated into the resulting contract, if any, between the City and the Contracting entity.

| **Block 1: Contracting Entity** | |
|---|---|
| **Name:** PNC Bank, National Association | |
| **Address:** 500 First Avenue | **City / ST / Zip:** Pittsburgh, PA 15219 |
| **Telephone:** 877-824-5001 | **EIN or DUNS :** 25-1435979 |
| **Block 2: Description / Subject Matter of Contract** | (The PNC Financial Services Group, Inc.) |
| **Services for:** PCard Services | **Project Number:** 130062-CW |

**Block 3:** **Type of Business**

☐ Individual ☐ Partnership ☐ Limited Liability Company ☒ Corporation ☐ Trust ☒ Other: National Banking Association

## CERTIFICATE – DISCLOSURE OF OWNERSHIP/PRINCIPALS (CONTINUED)

**Block 4: Disclosure of Ownership and Principals**

In the space below, the Contracting Entity must disclose all principals (including partners) of the Contracting Entity, as well as persons or entities holding more than one-percent (1%) ownership interest in the Contracting Entity.

| | FULL NAME/TITLE | BUSINESS ADDRESS | BUSINESS PHONE |
|---|---|---|---|
| 1 | | | |
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The Contracting Entity shall continue the above list on a sheet of paper entitled "Disclosure of Ownership/Principals – Continuation" until full and complete disclosure is made. If continuation sheets are attached, please indicate the number of sheets: _____

**Block 5: Disclosure of Ownership and Principals – Alternate**

If the Contracting Entity, or its principals or partners, are required to provide disclosure (of persons or entities holding an ownership interest) under federal law (such as disclosure required by the Securities and Exchange Commission or the Employee Retirement Income Act), a copy of such disclosure may be attached to this Certificate in lieu of providing the information set forth in Block 4 above. A description of such disclosure documents must be included below.

Name of Attached Document: Form 10-K (The PNC Financial Services Group, Inc.)

Date of Attached Document: Fiscal year ended 12/31/19 Number of Pages: 291

**Contracting Party Certification** ***(Notarized signature required in event of contract award per section 4, "Incorporation")***

I certify under penalty of perjury, that all the information provided in this Certificate is current, complete and accurate. I further certify that I am an individual authorized to contractually bind the above named Contracting Entity.

Anthony B. DeBlasio
Signature

06/23/20
Date

Subscribed and sworn to before me this _____day of _____, 20_____

_____
Notary Signature

**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, DC 20549**

# FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the fiscal year ended December 31, 2019**
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the transition period from to**
**Commission file number 001-09718**

# THE PNC FINANCIAL SERVICES GROUP, INC.

(Exact name of registrant as specified in its charter)

| **Pennsylvania** | **25-1435979** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**The Tower at PNC Plaza, 300 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2401**
**(Address of principal executive offices, including zip code)**

Registrant's telephone number, including area code - **(888) 762-2265**

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class | Trading Symbol(s) | Name of Each Exchange on Which Registered |
|---|---|---|
| **Common Stock, par value $5.00** | PNC | New York Stock Exchange |
| **Depositary Shares Each Representing a 1/4,000 Interest in a Share of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series P** | PNC P | New York Stock Exchange |
| **Depositary Shares Each Representing a 1/4,000 Interest in a Share of 5.375% Non-Cumulative Perpetual Preferred Stock, Series Q** | PNC Q | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act:
**$1.80 Cumulative Convertible Preferred Stock - Series B, par value $1.00**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | | | |
|---|---|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ | Emerging growth company | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the registrant's outstanding voting common stock held by nonaffiliates on June 30, 2019, determined using the per share closing price on that date on the New York Stock Exchange of $137.28, was approximately $60.9 billion. There is no non-voting common equity of the registrant outstanding.

Number of shares of registrant's common stock outstanding at February 6, 2020: 428,726,784

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement of The PNC Financial Services Group, Inc. to be filed pursuant to Regulation 14A for the 2020 annual meeting of shareholders (Proxy Statement) are incorporated by reference into Part III of this Form 10-K.

THE PNC FINANCIAL SERVICES GROUP, INC.
**Cross-Reference Index to 2019 Form 10-K**

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# PART I

*Forward-Looking Statements: From time to time, The PNC Financial Services Group, Inc. has made and may continue to make written or oral forward-looking statements regarding our outlook for earnings, revenues, expenses, capital and liquidity levels and ratios, asset levels, asset quality, financial position and other matters regarding or affecting us and our future business and operations or the impact of legal, regulatory or supervisory matters on our business operations or performance. This Annual Report on Form 10-K (the Report or Form 10-K) also includes forward-looking statements. With respect to all such forward-looking statements, you should review our Risk Factors discussion in Item 1A, our Risk Management, Critical Accounting Estimates and Judgments, and Cautionary Statement Regarding Forward-Looking Information sections included in Item 7, and Note 19 Legal Proceedings in the Notes To Consolidated Financial Statements included in Item 8 of this Report. See page 79 for a glossary of certain terms used in this Report. In this Report, "PNC", "we", "us", "the Company" or "the Corporation" refers to The PNC Financial Services Group, Inc. and its subsidiaries on a consolidated basis (except when referring to PNC as a public company, its common stock or other securities issued by PNC, which just refer to The PNC Financial Services Group, Inc.). References to The PNC Financial Services Group, Inc. or to any of its subsidiaries are specifically made where applicable.*

## ITEM 1 – BUSINESS

### Business Overview

Headquartered in Pittsburgh, Pennsylvania, we are one of the largest diversified financial services companies in the United States (U.S.). We have businesses engaged in retail banking, including residential mortgage, corporate and institutional banking and asset management, providing many of our products and services nationally. Our retail branch network is located primarily in markets across the Mid-Atlantic, Midwest and Southeast. We also have strategic international offices in four countries outside the U.S. At December 31, 2019, our consolidated total assets, total deposits and total shareholders' equity were $410.3 billion, $288.5 billion and $49.3 billion, respectively.

We were incorporated under the laws of the Commonwealth of Pennsylvania in 1983 with the consolidation of Pittsburgh National Corporation and Provident National Corporation. Since 1983, we have diversified our geographical presence, business mix and product capabilities through organic growth, strategic bank and non-bank acquisitions and equity investments, and the formation of various non-banking subsidiaries.

### Subsidiaries

Our corporate legal structure at December 31, 2019 consisted of one domestic subsidiary bank, including its subsidiaries, and 38 active non-bank subsidiaries, in addition to various affordable housing investments and historic rehabilitation investments. Our bank subsidiary is PNC Bank, National Association (PNC Bank), a national bank headquartered in Pittsburgh, Pennsylvania. For additional information on certain of our subsidiaries, see Exhibit 21 to this Report.

### Statistical Disclosure By Bank Holding Companies

The following statistical information is included on the indicated pages of this Report and is incorporated herein by reference:

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**Supervision and Regulation**

The PNC Financial Services Group, Inc. is a bank holding company (BHC) registered under the Bank Holding Company Act of 1956 (BHC Act) and a financial holding company under the Gramm-Leach-Bliley Act (GLB Act).

We are subject to numerous governmental regulations, some of which are highlighted below. See Note 18 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information regarding our regulatory matters. Applicable laws and regulations restrict our permissible activities and investments, impose conditions and requirements on the products and services we offer and the manner in which they are offered and sold, and require compliance with protections for loan, deposit, brokerage, fiduciary, investment management and other customers, among other things. They also restrict our ability to repurchase stock or pay dividends, or to receive dividends from our bank subsidiary, and impose capital adequacy and liquidity requirements. The consequences of noncompliance with these, or other applicable laws or regulations, can include substantial monetary and nonmonetary sanctions.

In addition, we are subject to comprehensive supervision and periodic examination by, among other regulatory bodies, the Board of Governors of the Federal Reserve System (Federal Reserve) and the Office of the Comptroller of the Currency (OCC). These examinations consider not only compliance with applicable laws, regulations and supervisory policies of the agency, but also capital levels, asset quality, risk management effectiveness, the ability and performance of management and the board of directors, the effectiveness of internal controls and internal audit function, earnings, liquidity and various other factors.

The results of examination activity by any of our federal bank regulators potentially can result in the imposition of significant limitations on our activities and growth. These regulatory agencies generally have broad discretion to impose restrictions and limitations on the operations of a regulated entity and take enforcement action, including the imposition of substantial monetary penalties and nonmonetary requirements, against a regulated entity where the relevant agency determines, among other things, that the operations of the regulated entity or any of its subsidiaries fail to comply with applicable law or regulations, are conducted in an unsafe or unsound manner, or represent an unfair or deceptive act or practice. This supervisory framework, including the examination reports and supervisory ratings (which are not publicly available) of the agencies, could materially impact the conduct, growth and profitability of our operations.

The Consumer Financial Protection Bureau (CFPB) is responsible for examining PNC Bank and its affiliates (including PNC) for compliance with most federal consumer financial protection laws, including the laws relating to fair lending and prohibiting unfair, deceptive or abusive acts or practices in connection with the offer, sale or provision of consumer financial products or services, and for enforcing such laws with respect to PNC Bank and its affiliates. The results of the CFPB's examinations (which are not publicly available) also can result in restrictions or limitations on the operations of a regulated entity as well as enforcement actions against a regulated entity, including the imposition of substantial monetary penalties and nonmonetary requirements.

We also are subject to regulation by the Securities and Exchange Commission (SEC) by virtue of our status as a public company and by the SEC and the Commodity Futures Trading Commission (CFTC) due to the nature of some of our businesses. Our businesses with operations outside the United States also are subject to regulation by appropriate authorities in the foreign jurisdictions in which they do business.

As a regulated financial services firm, our relationships and good standing with regulators are of fundamental importance to the operation and growth of our businesses. The Federal Reserve, OCC, CFPB, SEC, CFTC and other domestic and foreign regulators have broad enforcement powers, and certain of the regulators have the power to approve, deny, or refuse to act upon our applications or notices to conduct new activities, acquire or divest businesses, assets or deposits, expand our operations geographically, or reconfigure existing operations.

Among the areas that have been receiving a high level of regulatory focus are cyber security, compliance with the Bank Secrecy Act and anti-money laundering laws, capital and liquidity management (including stress testing), the oversight of arrangements with third-party vendors and suppliers, the protection of confidential customer information, the structure and effectiveness of enterprise risk management frameworks, and compliance with fair lending and other consumer protection laws and regulations, including those governing retail sales practices, fee disclosures, unfair, deceptive or abusive acts or practices, collection practices, and protections for military service members and individuals in bankruptcy.

New legislation, changes in rules promulgated by federal financial regulators, other federal and state regulatory authorities and self-regulatory organizations, or changes in the interpretation or enforcement of existing laws and rules, may directly affect the operations and profitability of our businesses. We anticipate new legislative and regulatory initiatives over the next several years, focused specifically on banking and other financial services in which we are engaged. Legislative and regulatory developments to date, as well as those that come in the future, have had and are likely to continue to have an impact on the conduct of our business. The more detailed description of the significant regulations to which we are subject included in this Report is based on current laws and

regulations and is subject to potentially material change. See also the additional information included as Risk Factors in Item 1A of this Report discussing the impact of financial regulatory initiatives on the regulatory environment for us and the financial services industry.

The profitability of our businesses could also be affected by rules and regulations that impact the business and financial sectors in general, including changes to the laws governing taxation, antitrust regulation, electronic commerce, data security and privacy.

There are numerous rules governing the regulation of financial services institutions and their holding companies. Accordingly, the following discussion is general in nature and does not purport to be complete or to describe all of the laws, regulations and policies that apply to us. To a substantial extent, the purpose of the regulation and supervision of financial services institutions and their holding companies is not to protect our shareholders and our non-customer creditors, but rather to protect our customers (including depositors) and the financial markets and financial system in general.

**Banking Regulation and Supervision**

*Regulatory Capital Requirements, Stress Testing and Capital Planning*. PNC and PNC Bank are subject to the regulatory capital requirements established by the Federal Reserve and the OCC, respectively. The foundation of the agencies' regulatory capital rules is the international regulatory capital framework developed by the Basel Committee on Banking Supervision (Basel Committee), the international body responsible for developing global regulatory standards for banking organizations for consideration and adoption by national jurisdictions. The regulatory capital rules establish minimum requirements for the ratio of a banking organization's regulatory capital to its risk-weighted assets, referred to as risk-based capital requirements, as well as for the ratio of its regulatory capital to measures of assets and other exposures, referred to as leverage capital requirements. The agencies' regulatory capital rules have undergone significant change since 2013, when the agencies adopted final rules to implement the Basel Committee's international regulatory capital framework, known as "Basel III", as well as certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank).

In 2019, the federal banking agencies adopted rules to better tailor the application of their capital, liquidity and enhanced prudential requirements for banking organizations to the asset size and risk profile (as measured by certain regulatory metrics) of the banking organization (the "2019 Tailoring Rules"). Effective January 1, 2020, the agencies' capital and liquidity rules classify all bank holding companies (BHCs) with $100 billion or more in total assets into one of four categories (Category I, Category II, Category III and Category IV), with the most stringent capital and liquidity requirements applying to Category I firms and the least restrictive requirements applying to Category IV firms. The classification of any bank subsidiary of a BHC generally follows that of its parent BHC. PNC and PNC Bank currently are Category III firms because PNC (i) has more than $250 billion, but less than $700 billion, in consolidated total assets, (ii) is not designated as a globally systemically important bank (GSIB), and (iii) has less than $75 billion in cross-jurisdictional activity (as defined by the rules). PNC and PNC Bank would become a Category I or II institution, and subject to more stringent capital and liquidity standards, if PNC were at some point in the future to have $700 billion or more in total consolidated assets, be designated as a GSIB, or have $75 billion or more in cross-jurisdictional activity. As of December 31, 2019, PNC had cross-jurisdictional activities for these purposes of $13.4 billion.

The regulatory capital rules generally divide regulatory capital into three components: common equity Tier 1 (CET1) capital, additional Tier 1 capital (which, together with CET1 capital, comprises Tier 1 capital) and Tier 2 capital. CET1 capital is generally common stock, retained earnings, and qualifying minority interest less required deductions. Prior to January 1, 2020, CET1 capital for PNC and PNC Bank also included accumulated other comprehensive income (AOCI) related to both available for sale securities and pension and other post-retirement plans. Effective January 1, 2020, PNC and PNC Bank elected to exclude AOCI related to these items from CET1 capital. Additional Tier 1 capital generally includes, among other things, perpetual preferred stock and qualifying minority interests, less required deductions. Tier 2 capital generally comprises qualifying subordinated debt, less any required deductions from Tier 2 capital. The regulatory capital rules limit the extent to which minority interests in consolidated subsidiaries may be included in regulatory capital. Total capital is the sum of Tier 1 capital and Tier 2 capital, less the deductions required from Total capital.

Under the regulatory capital rules effective as of January 1, 2020, PNC and PNC Bank must deduct investments in unconsolidated financial institutions, mortgage servicing rights and deferred tax assets from CET1 capital (in each case, net of associated deferred tax liabilities) to the extent such items individually exceed 25% of the institution's adjusted CET1 capital. Prior to January 1, 2020, PNC and PNC Bank had to deduct significant common stock investments in unconsolidated financial institutions, as well as mortgage servicing rights and deferred tax assets, from CET1 capital (in each case, net of associated deferred tax liabilities) to the extent such items individually exceeded 10%, or in the aggregate exceeded 15%, of the institution's adjusted CET1 capital. PNC's common stock investment in BlackRock is treated as an investment (and a significant common stock investment) in an unconsolidated financial institution for these purposes. A significant amount of PNC's common stock investment in BlackRock, net of associated deferred tax liabilities, was subject to these threshold deductions under the rules applicable as of December 31, 2019. If the new rules had been in effect on that date, no amount of PNC's equity investment in BlackRock would have been subject to these threshold deductions.

The agencies' capital rules also permit banking organizations to elect to phase-in, on a straight-line basis over a three-year period, the day-one regulatory capital effects of implementing the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-13 Financial Instruments - Credit Losses (Topic 326), commonly referred to as the Current Expected Credit Losses (CECL) standard. PNC implemented the CECL standard effective January 1, 2020, but elected not to implement the phase-in of the day-one regulatory capital effects of the standard. See Note 1 Accounting Policies in the Notes to Consolidated Financial Statements in Item 8 of this Report for more detail on the CECL standard.

PNC and PNC Bank are required to use the standardized approach for determining a banking organization's risk-weighted assets for purposes of calculating the risk-based capital ratios. The standardized approach for risk-weighted assets takes into account credit and market risk. To calculate risk-weighted assets under the standardized approach for credit risk, the nominal dollar amounts of assets and credit equivalent amounts of off-balance sheet items are generally multiplied by risk weights set forth in the rules, with the risk weights increasing as the perceived credit risk of the relevant asset or exposure increases. For certain types of exposures, such as securitization exposures, the standardized approach establishes one or more methodologies that are to be used to calculate the risk-weighted asset amount for the exposure. High volatility commercial real estate, past due, securitization and equity exposures, as well as mortgage servicing rights and deferred tax assets that are not deducted from capital, are generally subject to higher risk weights than other types of exposures. Under the market risk capital rule, risk-weighted asset amounts for covered trading positions are determined based on the calculation of value-at-risk (including stressed value-at-risk), specific risk, incremental risk and comprehensive risk amounts, as specified in the capital rules.

Prior to January 1, 2020, PNC and PNC Bank also were required to calculate risk-weighted assets using a separate methodology, referred to as the advanced approaches, that is based on the Basel II capital framework. Capital ratios calculated using this methodology would potentially have been applicable to PNC upon completion of a parallel run qualification phase. PNC remained in this phase as of the end of 2019, and accordingly, our regulatory risk-based capital ratios in 2019 were calculated using the standardized approach for determining risk-weighted assets.

With the exception of certain nonqualifying trust preferred capital securities included in PNC's total risk-based capital (which remain subject to a phase-out period that runs through 2021), the transitions and multi-year phase-in of the definition of capital under the Basel III rules were completed as of January 1, 2018. Accordingly, we refer to the capital ratios calculated using the definition of capital in effect as of January 1, 2018 and, for the risk-based ratios, standardized risk-weighted assets, as our Basel III regulatory capital ratios.

The risk-based capital rules establish certain minimum standards for the capital ratios of banking organizations, including PNC and PNC Bank. Banking organizations must maintain a minimum CET1 ratio of 4.5%, a Tier 1 capital ratio of 6.0%, and a Total capital ratio of 8.0%, in each case in relation to risk-weighted assets, to be considered "adequately capitalized." Banking organizations also must maintain a capital conservation buffer requirement above the minimum risk-based capital ratio requirements in order to avoid limitations on capital distributions (including dividends and repurchases of any Tier 1 capital instrument, such as common and qualifying preferred stock) and certain discretionary incentive compensation payments. The capital conservation buffer requirement became fully phased in as of January 1, 2019. As a result, banking organizations (including PNC and PNC Bank) now are required to maintain a CET1 capital ratio of at least 7.0%, a Tier 1 capital ratio of at least 8.5%, and a Total capital ratio of at least 10.5% to avoid limitations on capital distributions and certain discretionary incentive compensation payments.

For Category III banking organizations (such as PNC and PNC Bank), these higher capital conservation buffer levels above the regulatory minimums could be supplemented by a countercyclical capital buffer of up to an additional 2.5% of risk-weighted assets. This buffer is currently set at zero in the U.S. A Federal Reserve policy statement establishes the framework and factors the Federal Reserve would use in setting and adjusting the amount of the U.S. countercyclical capital buffer. Covered banking organizations would generally have 12 months after the announcement of any increase in the countercyclical capital buffer to meet the increased buffer requirement, unless the Federal Reserve determines to establish an earlier effective date. If the full countercyclical buffer amount is implemented, PNC and PNC Bank would be required to maintain a CET1 capital ratio of at least 9.5%, a Tier 1 capital ratio of at least 11%, and a Total capital ratio of at least 13% to avoid limitations on capital distributions and certain discretionary incentive compensation payments.

The regulatory capital rules also require that banking organizations maintain a minimum amount of Tier 1 capital to average consolidated assets, referred to as the leverage ratio, and require Category III banking organizations to maintain a minimum amount of Tier 1 capital to total leverage exposure, referred to as the supplementary leverage ratio. Total leverage exposure takes into account on-balance sheet assets as well as certain off-balance sheet items, including loan commitments and potential future exposure under derivative contracts. Banking organizations are required to maintain a minimum leverage ratio of Tier 1 capital to total assets of 4.0%, and Category III banking organizations must maintain a minimum supplementary leverage ratio of 3.0%. As of December 31, 2019, the leverage and supplementary leverage ratios of PNC and PNC Bank were above the required minimum level.

PNC and PNC Bank are not subject to the additional CET1 capital surcharge, minimum long-term debt requirement, minimum total loss-absorbing capacity (TLAC), or enhanced supplementary leverage ratio requirements that apply to U.S. GSIBs.

Failure to meet applicable capital requirements could subject a banking organization to a variety of enforcement remedies available to the federal banking agencies, including a limitation on the ability to pay dividends or repurchase shares, the issuance of a capital directive to increase capital and, in severe cases, the termination of deposit insurance by the FDIC and the appointment of a conservator or receiver. In some cases, the extent of these powers depends upon whether the institution in question is considered "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." The thresholds at which an insured depository institution is considered "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" or "critically undercapitalized" are based on (i) the institution's CET1, Tier 1 and total risk-based capital ratios; (ii) the institution's leverage ratio; and (iii) for the definitions of "adequately capitalized" and "undercapitalized", the institution's supplementary leverage ratio (if applicable). Generally, the smaller an institution's capital base in relation to its risk-weighted or total assets, the greater the scope and severity of the agencies' powers. Business activities may also be affected by an institution's capital classification. For example, as a financial holding company, PNC and PNC Bank must remain "well capitalized."

At December 31, 2019, PNC and PNC Bank exceeded the required ratios for classification as "well capitalized." For additional discussion of capital adequacy requirements, including the levels of capital required to be considered "well capitalized," see the Liquidity and Capital Management portion of the Risk Management section of Item 7 of this Report and Note 18 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of this Report.

In addition to regulatory capital requirements, we are subject to the Federal Reserve's capital plan rule, capital stress testing requirements and Comprehensive Capital Analysis and Review (CCAR) process, as well as the Dodd-Frank capital stress testing (DFAST) requirements of the Federal Reserve and the OCC.

As part of the annual CCAR process, the Federal Reserve undertakes a supervisory assessment of the capital planning process of BHCs, including PNC, that have $100 billion or more in total consolidated assets. For us, this capital planning assessment is based on a review of a comprehensive capital plan submitted to the Federal Reserve that describes the company's planned capital actions, such as plans to pay or increase common stock dividends, engage in common stock repurchase programs, or issue or redeem preferred stock or other regulatory capital instruments, during the nine quarter review period, as well as the results of stress tests conducted by both the company and the Federal Reserve under different hypothetical macro-economic scenarios, including a supervisory severely adverse scenario provided by the Federal Reserve.

The Federal Reserve can object to a BHC's capital plan if the Federal Reserve estimates that under the hypothetical supervisory macro-economic scenarios (including the supervisory severely adverse scenario) the BHC would not be able to maintain, throughout each quarter of the nine quarter review period, projected regulatory risk-based and leverage capital ratios that exceed the applicable minimums. In making these estimates, the Federal Reserve assumes that the BHC would continue its base case capital actions in each supervisory scenario, including the severely adverse scenario. If the Federal Reserve objects to a BHC's capital plan, the BHC cannot make capital distributions without Federal Reserve approval.

In evaluating PNC's capital plan, the Federal Reserve also considers a number of qualitative factors. The Federal Reserve's supervisory expectations for the capital planning and stress testing processes at large and complex BHCs, including PNC, are heightened relative to smaller and less complex BHCs. In assessing a BHC's capital planning and stress testing processes, the Federal Reserve considers whether the BHC has sound and effective governance to oversee these processes. The Federal Reserve's evaluation focuses on whether a BHC's capital planning and stress testing processes are supported by a strong risk management framework to identify, measure and assess material risks and that provides a strong foundation to capital planning. The Federal Reserve also considers the comprehensiveness of a BHC's control framework and evaluates a BHC's policy guidelines for capital planning and assessing capital adequacy. A BHC's stress testing scenario design processes and approaches for estimating the impact of stress on its capital position, including stress testing models and non-model qualitative approaches, are comprehensively reviewed to ensure that projections reflect the impact of appropriately stressful conditions, as well as risks idiosyncratic to the BHC, on its capital position. Significant deficiencies in a BHC's capital planning and stress testing processes may result in supervisory directives that require the firm to address the identified deficiencies and, potentially, a downgrade in the BHC's supervisory capital positions and planning rating.

In connection with the 2020 CCAR exercise, we must file our capital plan and stress testing results using financial data as of December 31, 2019, with the Federal Reserve by April 6, 2020. We expect to receive the Federal Reserve's response (either a non-objection or objection) to the capital plan submitted as part of the 2020 CCAR in June 2020.

As part of the annual CCAR and biennial company-run DFAST processes, both we and the Federal Reserve release certain revenue, loss and capital results from stress testing exercises. For the 2020 exercises, the Federal Reserve has announced that it intends to publish its supervisory revenue, loss and capital projections for participating BHCs under the severely adverse macro-economic

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scenarios using the common assumptions concerning capital distributions established by the Federal Reserve in its DFAST regulations, as well as capital ratio information using the company's proposed base case capital actions. As a Category III institution, PNC must conduct a company-run DFAST stress test biennially in even numbered years. In those years when a company-run DFAST stress test is required, we are required to publicly disclose our own estimates of certain capital, revenue and loss information under the agencies' hypothetical supervisory severely adverse macro-economic scenario and apply the agencies' DFAST capital action assumptions within 15 days of the Federal Reserve publishing its DFAST results.

The Federal Reserve's capital plan rule provides that a BHC must resubmit a new capital plan prior to the next annual submission date if, among other things, there has been or will be a material change in the BHC's risk profile, financial condition or corporate structure since its last capital plan submission. Under the "de minimis" safe harbor of the Federal Reserve's capital plan rule, we may make limited repurchases of common stock or other capital distributions in amounts that exceed the amounts included in our most recently approved capital plan subject to certain conditions, including that the Federal Reserve does not object to the additional repurchases or distributions. Such additional distributions may not exceed, in the aggregate, 0.25% of Tier 1 capital during the relevant 12-month period. The Federal Reserve's capital plan rule also allows a BHC to request the Federal Reserve's approval to make additional capital distributions, above the amounts permitted by this de minimis safe harbor and the amounts included in its most recently approved capital plan, provided that, among other things, the request is filed between July 1 and March 30 of the relevant capital plan year. As announced in January 2020, PNC received approval from the Federal Reserve for additional capital distributions above the amounts included in the capital plan we submitted in connection with the 2019 CCAR process. See the Liquidity and Capital Management portion of the Risk Management section in Item 7 of this Report for additional detail.

In 2018, the Federal Reserve requested public comment on a proposal that would integrate its capital plan rule, stress test rules and the annual CCAR exercise with its Basel III regulatory capital rules. Among other things, the proposal would introduce new CET1 and Tier 1 leverage stress capital buffer that would replace the Basel III capital conservation buffer for covered BHCs. Under the proposal, PNC would be subject to limitations on capital distributions and certain discretionary incentive compensation payments if its CET1 ratio fell below (i) 4.5%, plus (ii) its applicable CET1 stress capital buffer, plus (iii) any applicable countercyclical capital buffer (which is currently set at zero in the United States). In connection with these changes, the Federal Reserve proposed to make a number of other changes to the CCAR process. It is unclear when, or if, the Federal Reserve may finalize all, or portions of, this proposal or when such provisions (if adopted in final) might become effective. In addition, any final rules adopted by the Federal Reserve could differ, perhaps materially, from the proposal.

*Regulatory Liquidity Standards and Liquidity Risk Management Requirements*. The Basel Committee's Basel III framework includes short-term liquidity standards (Liquidity Coverage Ratio or LCR) and long-term funding standards (Net Stable Funding Ratio or NSFR).

The U.S. banking agencies' LCR rules are designed to ensure that covered banking organizations maintain an adequate level of cash and high quality, unencumbered liquid assets (HQLA) to meet estimated net liquidity needs in a short-term stress scenario using liquidity inflow and outflow assumptions prescribed in the rules (net cash outflow). A company's LCR is the amount of its HQLA, as defined and calculated in accordance with the haircuts and limitations in the rule, divided by its net cash outflows, with the quotient expressed as a percentage. The regulatory minimum LCR that covered banking organizations are required to maintain is 100%. PNC and PNC Bank are required to calculate the LCR on a daily basis. If either institution's LCR is below the minimum requirement for three consecutive business days, the institution must promptly provide its regulator with a plan for achieving compliance with the minimum LCR requirement. As of December 31, 2019, the LCR for PNC and PNC Bank exceeded the required minimum levels.

Effective January 1, 2020, PNC and PNC Bank, as Category III institutions with less than $75 billion in weighted short-term wholesale funding (as defined by the rules), are subject to a reduced LCR requirement, with each company's net outflows (as calculated under the rules) reduced by 15%, thereby reducing the amount of HQLA each institution must hold to meet the LCR minimum requirement. As of December 31, 2019, PNC had weighted short-term wholesale funding for these purposes of $26.3 billion.

The Federal Reserve requires large BHCs, including PNC, to publicly disclose certain quantitative and qualitative measures of their LCR-related liquidity profile. These disclosures include major components used to calculate the LCR (*e.g.*, HQLA, cash outflows and inflows for the consolidated parent company), and a qualitative discussion of the BHC's LCR results, including, among other things, key drivers of the results, composition of HQLA and concentration of funding sources.

The NSFR is designed to promote a stable maturity structure of assets and liabilities of banking organizations over a one-year time horizon. In 2016, the federal banking agencies requested comment on proposed rules that would implement the NSFR in the United States. The proposed rules would require a covered BHC to calculate its NSFR as the ratio of its available stable funding (ASF) to its required stable funding (RSF) amount, each as defined in the proposed rules, over a one-year horizon. The regulatory minimum ratio for all covered banking organizations (expressed as a percentage) is 100%. In the 2019 Tailoring Rules, the agencies indicated that the RSF for Category III institutions with less than $75 billion in weighted short-term wholesale funding would be reduced by 15% in any

final NSFR rule, thereby reducing the amount of ASF that the institution would have to maintain to meet its NSFR minimum ratio. The agencies' 2016 NSFR proposal also includes requirements for quarterly quantitative and qualitative NSFR disclosures. Although the impact on us will not be fully known until the rules are finalized, we have taken several actions to prepare for implementation of the NSFR and we expect to be in compliance with the NSFR requirements applicable to PNC and PNC Bank if and when they become effective.

As a Category III institution, PNC also is subject to Federal Reserve rules that require PNC to, among other things, conduct internal liquidity stress tests over a range of time horizons, maintain a buffer of highly liquid assets sufficient to meet projected net outflows under the BHC's 30-day liquidity stress test, and maintain a contingency funding plan that meets certain requirements.

For additional discussion of regulatory liquidity requirements, refer to the Liquidity and Capital Management portion of the Risk Management section of Item 7 of this Report.

*Source of Parent Company Liquidity and Dividends*. The principal source of our liquidity at the parent company level is dividends from PNC Bank. PNC Bank is subject to various restrictions on its ability to pay dividends to PNC Bancorp, Inc., its direct parent, which is a wholly-owned direct subsidiary of The PNC Financial Services Group, Inc. PNC Bank is also subject to federal laws limiting extensions of credit to its parent holding company and non-bank affiliates as discussed in Note 18 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of this Report. Further information on bank level liquidity and parent company liquidity is also available in the Liquidity and Capital Management portion of the Risk Management section of Item 7 of this Report.

Federal Reserve rules provide that a BHC is expected to serve as a source of financial strength to its subsidiary banks and to commit resources to support such banks if necessary. Dodd-Frank requires that the Federal Reserve jointly adopt new rules with the OCC and the FDIC to implement this source of strength requirement. These joint rules have not yet been proposed. Consistent with this source of strength policy for subsidiary banks, the Federal Reserve has stated that, as a matter of prudent banking, a BHC generally should not maintain a rate of cash dividends unless its net income available to common shareholders has been sufficient to fully fund the dividends and the prospective rate of earnings retention appears to be consistent with the corporation's capital needs, asset quality and overall financial condition. Further, in providing guidance to the large BHCs participating in the CCAR exercise, discussed above, the Federal Reserve has expected capital plans to reflect conservative dividend payout ratios. Requests that imply common dividend payout ratios above 30% of projected after-tax net income available to common shareholders have typically received particularly close scrutiny.

*Enhanced Prudential Requirements.* Under Federal Reserve rules, PNC and other BHCs with total consolidated assets of $100 billion or more are subject to various enhanced prudential standards related to liquidity risk management and overall risk management. For PNC, these rules, among other things, establish liquidity stress testing requirements (discussed above), limitations on PNC's aggregate net credit exposures to any single, unaffiliated company (referred to as the single counterparty credit limit (SCCL)), and certain oversight and governance responsibilities for PNC's chief risk officer, the board of directors, and the risk committee of the board of directors. Under the Federal Reserve's SCCL rules, which become effective July 1, 2020, PNC's aggregate net credit exposure (including exposure resulting from, among other transactions, extensions of credit, repurchase and reverse repurchase transactions, investments in securities, and derivative transactions) to any unaffiliated counterparty may not exceed 25% of PNC's Tier 1 capital. The rules permit a covered BHC to reduce its gross credit exposure to a counterparty by entering into an eligible credit or equity derivative with an eligible guarantor (as those terms are defined in the rules) that hedges the covered BHC's exposure to the counterparty. For SCCL purposes, PNC's gross credit exposure arising from its equity investment in BlackRock, which is accounted for under the equity method, is the carrying value of the investment. PNC remains in discussions with the Federal Reserve regarding the possibility of reducing PNC's credit exposure to BlackRock for purposes of the SCCL by the amount of the deferred tax liability associated with the investment.

The Federal Reserve is required to impose a maximum 15-to-1 debt to equity ratio on a BHC if the federal agencies that comprise the Financial Stability Oversight Council (FSOC) determine that the company poses a grave threat to the financial stability of the United States and that the imposition of such a debt-to-equity requirement would mitigate such risk. The Federal Reserve also is required to establish early remediation requirements for BHCs with more than $250 billion in total assets and continues to work towards finalizing these requirements.

The Federal Reserve may continue to develop the set of enhanced prudential standards that apply to large BHCs in order to further promote the resiliency of such firms and the U.S. financial system. For additional information, see Item 1A Risk Factors of this Report.

*Additional Powers Under the GLB Act*. The GLB Act permits a qualifying BHC, such as PNC, to become a "financial holding company" and thereby engage in, or affiliate with financial companies engaging in, a broader range of activities than would otherwise be permitted for a BHC. Permitted affiliates include securities underwriters and dealers, insurance companies, insurance agents and companies engaged in other activities that are determined by the Federal Reserve, in consultation with the Secretary of the Treasury, to

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be “financial in nature or incidental thereto” or are determined by the Federal Reserve unilaterally to be “complementary” to financial activities. We became a financial holding company in 2000. A BHC qualifies to become a financial holding company if the BHC and its subsidiary depository institutions are “well capitalized” and “well managed” and its subsidiary depository institutions have a rating under the Community Reinvestment Act (CRA) of Satisfactory or better. Among other activities, we currently rely on our status as a financial holding company to conduct merchant banking activities and securities underwriting and dealing activities. As subsidiaries of a financial holding company under the GLB Act, our non-bank subsidiaries are generally allowed to conduct new financial activities, and we generally are permitted to acquire non-bank financial companies that have less than $10 billion in assets, with after-the-fact notice to the Federal Reserve.

In addition, the GLB Act permits qualifying national banks to engage in expanded activities through a “financial subsidiary.” PNC Bank has filed a financial subsidiary certification with the OCC and currently engages in insurance agency activities through financial subsidiaries. PNC Bank may also generally engage through a financial subsidiary in any activity that is determined to be financial in nature or incidental to a financial activity by the Secretary of the Treasury, in consultation with the Federal Reserve (other than insurance underwriting activities, insurance company investment activities and merchant banking). In order to establish a financial subsidiary, a national bank and each of its depository institution affiliates must be “well capitalized” and “well managed” and the national bank and each of its depository institution affiliates must have a CRA rating of Satisfactory or better.

If a financial holding company or a national bank with a financial subsidiary fails to continue to meet the applicable “well capitalized” or “well managed” criteria, the financial holding company or national bank must enter into an agreement with the Federal Reserve or the OCC, respectively, that, among other things, identifies how the capital or management deficiencies will be corrected. Until such deficiencies are corrected, the relevant agency may impose limits or conditions on the activities of the company or bank, and the company or bank may not engage in, or acquire a company engaged in, the types of expanded activities only permissible for a financial holding company or financial subsidiary without prior approval of the relevant agency.

In addition, a financial holding company generally may not engage in a new financial activity authorized by the GLB Act, or acquire a company engaged in such a new activity, if any of its insured depository institutions receives a CRA rating of less than Satisfactory. A national bank’s financial subsidiary generally may not engage in a new financial activity authorized by the GLB Act, or acquire a company engaged in such a new financial activity, if the national bank or any of its insured depository institution affiliates received a CRA rating of less than Satisfactory.

At December 31, 2019, PNC Bank had an Outstanding rating with respect to the CRA. On December 12, 2019, the OCC and the FDIC requested comment on a proposal to modernize their regulations implementing the CRA. The proposal would significantly alter what activities by a bank qualify for CRA credit, where such activities must be conducted to receive credit, how the agencies measure a bank’s CRA performance, and how a bank must document and report its CRA qualifying activities. PNC is currently assessing the proposal and its potential implications for PNC and its local communities. Comments on the proposal currently are due by April 8, 2020. It is unclear when, or if, the OCC and FDIC may finalize this proposal or when its provisions (if adopted in final) might become effective. In addition, any final rule adopted by the OCC and FDIC could differ, perhaps materially, from the proposal issued for comment.

*Volcker Rule.* The Volcker Rule and its implementing regulations prohibit banking entities (as defined by the statute and its implementing regulations) from engaging in short-term trading as principal and having certain ownership interests in and relationships with hedge funds, private equity funds, and certain other private funds (together, “covered funds”), unless an exemption or exception applies. For example, the exemptions under the Volcker Rule allow banking entities to trade as principal for securities underwriting, market making and risk-mitigating hedging purposes, subject to a variety of conditions.

To date, the prohibitions under the final Volcker Rule regulations have not had, and we do not expect them to have in the future, a material effect on our businesses or revenue. However, the conditions for engaging in exempted trading activities and having permissible relationships with a private fund under the regulations could, depending on the agencies’ approach to interpreting them, cause us to forego engaging in hedging or other transactions that we would otherwise undertake in the ordinary course of business and, thus, to some extent, may limit our ability to most effectively hedge our risks, manage our balance sheet or provide products or services to our customers. We also have divested prohibited investments in covered funds and received extensions allowing an extended conformance period for our remaining $.1 billion interests in illiquid covered funds (as defined by the applicable requirements).

In 2019, the federal banking agencies, SEC, and CFTC approved changes to the regulations implementing the Volcker Rule that, among other things, (i) simplified the compliance requirements for engaging in permissible underwriting, market-making, and risk-mitigating hedging trading activities, and (ii) simplified and tailored the compliance program requirements for banking entities (like PNC) that have trading assets and liabilities of more than $1 billion, but less than $20 billion. As permitted by the rules, PNC elected to comply with these modified requirements beginning January 1, 2020.

In January 2020, the agencies requested comment on proposed changes to their regulations implementing the covered fund restrictions in the Volcker Rule. These proposed changes would, among other things, broaden the types of private funds that a banking entity may sponsor or invest in, and permit a banking entity to engage in additional types of transactions with a covered fund that it sponsors or advises. Comments on the proposed changes are due by April 1, 2020.

*Other Federal Reserve and OCC Regulation and Supervision*. The federal banking agencies possess broad powers to take corrective action as deemed appropriate based on the actions, operations or risk management programs of a BHC, an insured depository institution or their subsidiaries, and the Federal Reserve and the OCC have the ability to take enforcement action against PNC and PNC Bank, respectively, to prevent and remedy acts and practices that the agencies determine to be unfair or deceptive. A finding that we have engaged in a deceptive act or practice may have collateral consequences on our ability to rely on certain exemptions, or take advantage of certain provisions of, the securities laws absent a government waiver of such restrictions.

Moreover, less than satisfactory examination ratings, lower capital ratios than peer group institutions, or regulatory concerns regarding management, controls, assets, operations or other factors can all potentially result in practical limitations on the ability of a bank or BHC to engage in new activities, grow, acquire new businesses, repurchase its stock or pay dividends, or continue to conduct existing activities. Furthermore, the OCC has established certain heightened risk management and governance standards for large banks, including PNC Bank, as enforceable guidelines under Section 39 of the Federal Deposit Insurance Act (FDI Act). The guidelines, among other things, establish minimum standards for the design and implementation of a risk governance framework, describe the appropriate risk management roles and responsibilities of front line units, independent risk management, internal audit, and the board of directors, and provide that a covered bank should have a comprehensive written statement that articulates its risk appetite and serves as a basis for the framework. If the OCC determines that a covered national bank is not in compliance with these or other guidelines established under Section 39 of the FDI Act (including the guidelines relating to information security standards), the OCC may require the bank to submit a corrective action plan and may initiate enforcement action against the bank if an acceptable plan is not submitted or the bank fails to comply with an approved plan.

Sections 23A and 23B of the Federal Reserve Act and the Federal Reserve's implementing regulation, Regulation W, place quantitative and qualitative restrictions on covered transactions between a bank and its affiliates (for example between PNC Bank, on the one hand, and The PNC Financial Services Group, Inc. and its nonbank subsidiaries, on the other hand). In general, Section 23A and Regulation W limit the total amount of covered transactions between a bank and any single affiliate to 10% of the bank's capital stock and surplus, limit the total amount of covered transactions between a bank and all its affiliates to 20% of the bank's capital stock and surplus, prohibit a bank from purchasing low-quality assets from an affiliate, and require certain covered transactions to be secured with prescribed amounts of collateral. Section 23B generally requires that transactions between a bank and its affiliates be on terms that are at least as favorable to the bank as the terms that would apply in comparable transactions between the bank and a third party. Dodd-Frank amended Section 23A of the Federal Reserve Act to include as a covered transaction the credit exposure of a bank to an affiliate arising from a derivative transaction with the affiliate. The Federal Reserve has yet to propose rules to implement these revisions.

The Federal Reserve Act and Federal Reserve regulations also place quantitative limitations and conditions on extensions of credit by a bank to its executive officers, directors, or principal shareholders and their related interests (including any company controlled by such persons). Generally, extensions of credit by a bank to such individuals, companies, and related interests must comply with certain individual and aggregate lending limits, as well as procedural and qualitative requirements. As a result of the amount of PNC common stock held by its advised mutual funds and other accounts, the Vanguard Group is considered a principal shareholder of PNC Bank for purposes of these regulations. In December 2019, the federal banking agencies issued an interagency statement addressing the application of these insider lending restrictions to the other portfolio companies owned or controlled by the advised funds and accounts of a fund complex that could be considered a principal shareholder of a bank. The statement is effective through January 1, 2021, by which time the Federal Reserve has indicated it hopes to propose amendments to its regulations to address the application of these insider lending restrictions to the portfolio companies held by a principal shareholder fund complex on a more permanent basis.

The Federal Reserve and the OCC have provided guidance regarding incentive and other elements of compensation provided to executives and other employees at banking organizations they regulate, both as general industry-wide guidance and guidance specific to select larger companies, including PNC. These guidelines are intended to ensure that the incentive compensation practices of covered banking organizations do not encourage excessive risk-taking. Dodd-Frank requires the Federal Reserve, the OCC, the FDIC, the SEC and two other regulatory agencies to adopt regulations governing incentive compensation provided by regulated financial services companies to their executives and other employees. These agencies jointly proposed regulations in 2011 and again in 2016 to implement these requirements. Final regulations have not been adopted. Regulation of compensation provided to our executives and other employees, whether through guidance or rules and regulations, could hamper our ability to attract and retain quality employees.

The trust, investment advisory and other fiduciary activities conducted by PNC Bank also are subject to the OCC's regulations governing the fiduciary activities of national banks, as well as applicable state fiduciary laws. The OCC's regulations, among other

things, set standards for the administration of fiduciary accounts, prohibit or govern potential conflicts of interests, and establish recordkeeping requirements for fiduciary accounts.

The Federal Reserve's prior approval is required whenever we propose to acquire all or substantially all of the assets of any bank, to acquire direct or indirect ownership or control of more than 5% of any class of voting securities of any bank or BHC, or to merge or consolidate with any other BHC. The BHC Act and other federal law enumerates the factors the Federal Reserve must consider when reviewing the merger of BHCs, the acquisition of banks or the acquisition of voting securities of a bank or BHC. These factors include the competitive effects of the proposal in the relevant geographic markets; the financial and managerial resources and future prospects of the companies and banks involved in the transaction; the effect of the transaction on the financial stability of the United States; the organizations' compliance with anti-money laundering laws and regulations; the convenience and needs of the communities to be served; and the records of performance under the CRA of the insured depository institutions involved in the transaction.

The Federal Reserve's prior approval also is required, and similar factors are considered, for a BHC to acquire direct or indirect ownership or control of more than 5% of any class of voting securities of a savings association or savings and loan holding company, or to merge or consolidate with a savings and loan holding company. In cases involving interstate bank acquisitions, the Federal Reserve also must consider the concentration of deposits nationwide and in certain individual states. A BHC is generally prohibited from merging or consolidating with, or acquiring, another company or bank if upon consummation the resulting company would control 10% or more of deposits in the U.S. or a state, or if the resulting company's liabilities would exceed 10% of the aggregate liabilities of the U.S. financial sector (including the U.S. liabilities of foreign financial companies). In extraordinary cases, the FSOC, in conjunction with the Federal Reserve, could order the break-up of financial firms that are deemed to present a grave threat to the financial stability of the United States.

OCC prior approval is required for PNC Bank to acquire another insured bank or savings association by merger or to acquire deposits or substantially all of the assets of such institutions. In deciding whether to approve such a transaction, the OCC is required to consider factors similar to those that must be considered by the Federal Reserve in connection with the acquisition of a bank or BHC. Approval of the OCC and the FDIC is required to merge a nonbank entity into PNC Bank. Our ability to grow through acquisitions or reorganize our operations could be limited by these approval requirements.

In 2020, the Federal Reserve finalized rules governing when a BHC is presumed to "control" another company for purposes of the BHC Act, thereby causing the company to be considered a subsidiary for purposes of the BHC Act. The rules establish a set of presumptions identifying when a BHC would be deemed to control another company, with the nature and scope of relationships a BHC may have with a non-controlled company (e.g., director or officer representatives, scope of business relationships, etc.) declining as the BHC's voting ownership percentage in the company increases. Under the final rules, PNC is presumed to control BlackRock for purposes of the BHC Act as a result of its ownership interest and certain rights that PNC has under its stockholders agreement with BlackRock, which would cause BlackRock to be considered a subsidiary of PNC for purposes of the BHC Act and subject to the supervision and regulation of the Federal Reserve. For financial reporting purposes, BlackRock is not considered a subsidiary of PNC and BlackRock is responsible for, and has control over, the preparation of its financial statements and its internal controls over financial reporting. See additional detail on our investment in BlackRock in Item 1A Risk Factors, Business Segments Review in Item 7 and Note 22 Segment Reporting in the Notes To Consolidated Financial Statements.

*FDIC Insurance and Related Matters*. PNC Bank is insured by the FDIC and subject to deposit premium assessments. Regulatory matters could increase the cost of FDIC deposit insurance premiums to an insured bank as FDIC deposit insurance premiums are "risk based." Therefore, higher fee percentages would be charged to banks that have lower capital ratios or higher risk profiles. These risk profiles take into account, among other things, weaknesses that are found by the primary federal banking regulator through its examination and supervision of the bank and the bank's holdings of assets or liabilities classified as higher risk by the FDIC, including brokered deposits. A negative evaluation by the FDIC or a bank's primary federal banking regulator could increase the costs to a bank and result in an aggregate cost of deposit funds higher than that of competing banks in a lower risk category.

PNC Bank is subject to certain enhanced deposit insurance recordkeeping requirements adopted by the FDIC, which are designed to assist the FDIC to promptly determine whether, or to what extent, a large bank's deposits are covered by deposit insurance if the bank were to fail. These requirements go into effect on April 1, 2020, although banks may request an extension of this compliance date in certain circumstances for up to one year.

Federal banking laws and regulations also apply a variety of requirements or restrictions on insured depository institutions with respect to brokered deposits. For instance, only a "well capitalized" insured depository institution may accept brokered deposits without prior regulatory approval. In addition, brokered deposits are generally subject to higher outflow assumptions than other types of deposits for purposes of the LCR. In December 2019, the FDIC requested comment on proposed rules that would define when a deposit is considered brokered and implement certain statutory exemptions to this classification. The proposed rules have the potential to create additional uncertainty regarding the types of deposits that must be considered brokered. Changes to the scope of the definition of brokered deposits, or limitations on the scope of the statutory exemptions from this classification could, among other

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things, affect PNC's deposit insurance premiums and projected outflow rates under regulatory liquidity requirements. The comment period on the proposal extends through April 10, 2020, and it is unclear, at this time, whether or in what form the proposal might be finalized or when, if adopted in final, it would become effective.

*Resolution and Recovery Planning*. BHCs that have $100 billion or more in assets, such as PNC, are required to periodically submit to the Federal Reserve and the FDIC a resolution plan that includes, among other things, an analysis of how the company could be resolved in a rapid and orderly fashion if the company were to fail or experience material financial distress. The Federal Reserve and the FDIC may jointly impose restrictions on a covered BHC, including additional capital requirements or limitations on growth, if the agencies jointly determine that the company's plan is not credible or would not facilitate a rapid and orderly resolution of the company under the U.S. Bankruptcy Code (or other applicable resolution framework), and additionally could require the company to divest assets or take other actions if the company did not submit an acceptable resolution plan within two years after any such restrictions were imposed. The FDIC also requires large insured depository institutions, including PNC Bank, to periodically submit a resolution plan to the FDIC that includes, among other things, an analysis of how the institution could be resolved under the FDI Act in a manner that protects depositors and limits losses or costs to creditors of the bank in accordance with the FDI Act. PNC and PNC Bank are required to provide the Federal Reserve and FDIC a public summary of their resolution plans, which the agencies then make available to the public. Depending on how the agencies conduct their review of the resolution plans submitted by PNC and PNC Bank, these requirements could affect the ways in which PNC structures and conducts its business and result in higher compliance and operating costs.

PNC generally must file a resolution plan with the Federal Reserve and FDIC at least once each three year period, with submissions alternating between a full plan and a plan targeted on certain areas or subjects identified by the agencies. PNC's next resolution plan is scheduled to be a targeted plan and is due to be filed by July 1, 2021. The agencies, however, have reserved the ability to alter the scheduled filing date for a covered company, request an interim update before a covered company's next scheduled filing date, and require a covered company to submit a full resolution plan in lieu of a scheduled targeted plan. The FDIC is currently conducting a rulemaking with respect to its resolution planning requirements for insured banks and has indicated that banks will not be expected to file a resolution plan with the FDIC until this rulemaking is completed.

PNC Bank also is subject to OCC guidelines under Section 39 of the FDI Act that establish standards for recovery planning. These guidelines require a covered bank to develop and maintain a recovery plan that is evaluated and updated annually that, among other things, identifies a range of options that could be undertaken by the covered bank to restore its financial strength and viability should identified triggering events occur. The recovery plan guidelines are enforceable in the same manner as the other guidelines the OCC has established under Section 39 of the FDI Act.

*CFPB Regulation and Supervision*. The CFPB examines PNC and PNC Bank for compliance with a broad range of federal consumer financial laws and regulations, including the laws and regulations that relate to deposit products, credit card, mortgage, automobile, student and other consumer loans, and other consumer financial products and services that we offer. The consumer financial protection laws that are subject to the CFPB's supervision and enforcement powers include, among others, the Truth in Lending Act, Truth in Savings Act, Home Mortgage Disclosure Act, Fair Credit Reporting Act, Electronic Funds Transfer Act, Real Estate Settlement Procedures Act, Fair Debt Collections Practices Act, Equal Credit Opportunity Act and Fair Housing Act. The CFPB also has authority to take enforcement actions to prevent and remedy acts and practices relating to consumer financial products and services that it deems to be unfair, deceptive or abusive, and to impose new disclosure requirements for any consumer financial product or service.

The CFPB may issue regulations that impact products and services offered by PNC or PNC Bank. The regulations could reduce the fees that we receive, require that we provide additional consumer disclosures, alter the way we provide our products and services, impair our ability to compete with other providers of financial products or services, or expose us to greater risk of private litigation or regulatory enforcement action. The CFPB has engaged in rulemakings that affect, among other things, consumer remittance transfers, the qualified mortgage definition under the Truth in Lending Act, the Home Mortgage Disclosure Act, the Fair Debt Collection Practices Act, and payday, vehicle title, and certain high-cost installment loans and may establish, or modify, rules governing other aspects of consumer financial products or services in the future.

**Securities and Derivatives Regulation**

Our registered broker-dealer and investment adviser subsidiaries are subject to the Securities Exchange Act of 1934, and the Investment Advisers Act of 1940, respectively, and related rules and regulations promulgated by the SEC. The Financial Industry Regulatory Authority (FINRA) is the primary self-regulatory organization for our registered broker-dealer subsidiaries. Our broker-dealer and investment adviser subsidiaries also are subject to additional regulation by states or local jurisdictions.

The SEC and FINRA have active enforcement functions that oversee broker-dealers and investment advisers and can bring actions that result in fines, restitution, a limitation on permitted activities, disqualification to continue to conduct certain activities and an inability to rely on certain favorable exemptions. Certain types of infractions and violations also can affect our ability to expeditiously issue new securities into the capital markets. In addition, certain changes in the activities of a broker-dealer require approval from FINRA,

and FINRA takes into account a variety of considerations in acting upon applications for such approval, including internal controls, capital levels, management experience and quality, prior enforcement and disciplinary history and supervisory concerns.

In 2019, the SEC enacted a package of regulations that impact the provision of investment advice to retail customers by registered broker-dealers and investment advisers, which take effect on June 30, 2020. Regulation Best Interest creates a new standard of conduct for broker-dealers making investment recommendations to retail customers, including obligations relating to conflicts of interest and disclosures to customers, and a duty of care in making investment recommendations. Broker-dealers and investment advisers making recommendations to retail customers will also be required to develop and deliver to customers a new relationship summary document, Form CRS. Regulation Best Interest and Form CRS will primarily impact PNC's retail broker-dealer/investment adviser subsidiary, PNC Investments LLC.

There are comprehensive and significant regulations on the activities of financial institutions that are active in the U.S. over-the-counter derivatives and foreign exchange markets. These regulations are intended to (i) address systemic risk issues, (ii) bring greater transparency to the derivatives markets, (iii) provide enhanced disclosures and protections to customers and (iv) promote market integrity. Among other things, these regulations require both "swap dealers" and "major swap participants" to register with one or both of the CFTC (in the case of non security-based swaps) and the SEC (in the case of security-based swaps); (i) require that, absent certain specified exemptions, most standardized swaps be centrally cleared through a regulated clearing house and be traded on a centralized exchange or swap execution facility; (ii) subject swap dealers and major swap participants to capital requirements in excess of historical practice; (iii) subject swap dealers and major swap participants to comprehensive recordkeeping, regulatory reporting and real-time public reporting requirements; (iv) subject swap dealers and major swap participants to new business conduct requirements, including the provision of daily marks to counterparties and disclosing to counterparties (pre-execution) the material risks, material incentives, and any conflicts of interest associated with their swap; (v) impose special duties on swap dealers and major swap participants when transacting a swap with a "special entity" (*e.g.*, governmental agency (federal, state or local) or political subdivision thereof, pension plan or endowment); and (vi) impose margin requirements on certain swaps that are not centrally cleared through a regulated clearing house.

As a provisionally registered swap dealer with the CFTC, PNC Bank's derivatives and foreign exchange businesses are subject to the regulations and requirements imposed on registered swap dealers, and the CFTC (and for certain delegated responsibilities, the National Futures Association) has a meaningful supervisory role with respect to PNC Bank's derivatives and foreign exchange businesses. Because of the limited volume of our security-based swap dealing activities, PNC Bank has not registered (and currently does not intend to register) with the SEC as a security-based swap dealer. The regulations and requirements applicable to swap dealers have and will continue to impose compliance burdens on PNC Bank and introduce additional legal risks (including as a result of applicable anti-fraud and anti-manipulation provisions and private rights of action). In addition, failure to comply with the "pay-to-play" regulations that govern our swap and municipal securities businesses could result in limitations on PNC Bank's ability to conduct swap and municipal securities business with state or local governments and their authorities.

BlackRock has subsidiaries in securities and related businesses subject to SEC, other governmental agencies, state, local and FINRA regulation, and a federally chartered nondepository trust company subsidiary subject to supervision and regulation by the OCC. BlackRock describes its regulation by these agencies and others in its filings with the SEC.

**Regulations of Other Agencies**

In addition to regulations issued by the federal banking, securities and derivatives regulators, we also are subject to regulations issued by other federal agencies with respect to certain financial products and services we offer. For example, certain of our fiduciary, brokerage and investment management activities are subject to regulations issued by the Department of Labor (DOL) under the Employee Retirement Income Security Act of 1974 (ERISA), as amended, and related provisions of the Internal Revenue Code and certain of our student lending and servicing activities are subject to regulation by the Department of Education.

## Competition

We are subject to intense competition from other regulated banking organizations, as well as various other types of financial institutions and non-bank entities that can offer a number of similar products and services without being subject to bank regulatory supervision and restrictions.

PNC Bank competes for deposits and/or loans with:

- Other commercial banks,
- Savings banks,
- Credit unions,
- Consumer finance companies,
- Leasing companies,
- Other non-bank lenders,

- Financial technology companies,
- Treasury management service companies,
- Insurance companies, and
- Issuers of commercial paper and other securities, including mutual funds.

In providing asset management services, our businesses compete with:
- Investment management firms,
- Large banks and other financial institutions,
- Brokerage firms,
- Financial technology companies,
- Mutual fund complexes, and
- Insurance companies.

Our various non-bank businesses engaged in investment banking and alternative investment activities compete with:
- Commercial banks,
- Investment banking firms,
- Collateralized loan obligation managers,
- Hedge funds,
- Mutual fund complexes,
- Merchant banks,
- Insurance companies,
- Private equity firms, and
- Other investment vehicles.

Competition is based on a number of factors including pricing, product structure, the range of products and services offered and the quality of customer service. Loan pricing, structure and credit standards are extremely important as we seek to achieve appropriate risk-adjusted returns. Deposit-taking activities are also subject to pricing pressures and to customer migration as a result of intense competition for deposits and investments. Competitors may seek to compete with us through traditional channels such as physical locations or through digital channels such as the internet or mobile applications. We include here by reference the additional information regarding competition and factors affecting our competitive position included in Item 1A Risk Factors of this Report.

## Employees

Employees totaled 51,918 at December 31, 2019. This total included 50,017 full-time and 1,901 part-time employees, of which 28,270 full-time and 1,759 part-time employees were employed in our Retail Banking business.

## SEC Reports and Corporate Governance Information

We are subject to the informational requirements of the Securities Exchange Act of 1934 (Exchange Act) and, in accordance with the Exchange Act, we file annual, quarterly and current reports, proxy statements, and other information with the SEC. Our SEC File Number is 001-09718.

The SEC maintains a website at www.sec.gov that contains reports, including exhibits, proxy and information statements, and other information about issuers, like us, who file electronically with the SEC. You can also inspect reports, proxy statements and other information about us at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

We make our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed with or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act available free of charge on our internet website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our corporate internet address is www.pnc.com and you can find this information at www.pnc.com/secfilings. Shareholders and bondholders may obtain copies of these filings without charge by contacting Shareholder Services at 800-982-7652 or via the online contact form at www.computershare.com/contactus for copies without exhibits, or via e-mail to investor.relations@pnc.com for copies of exhibits, including financial statement and schedule exhibits where applicable. The interactive data file (XBRL) exhibit is only available electronically.

Information about our Board of Directors and its committees and corporate governance, including our PNC Code of Business Conduct and Ethics (as amended from time to time), is available on our corporate website at www.pnc.com/corporategovernance. In addition, any future waivers from a provision of the PNC Code of Business Conduct and Ethics covering any of our directors or executive officers (including our principal executive officer, principal financial officer, and principal accounting officer or controller) will be posted at this internet address.

Shareholders who would like to request printed copies of the PNC Code of Business Conduct and Ethics or our Corporate Governance Guidelines or the charters of our Board's Audit, Nominating and Governance, Personnel and Compensation, or Risk Committees (all of which are posted on our corporate website at www.pnc.com/corporategovernance) may do so by sending their requests to our Corporate Secretary at corporate headquarters at The Tower at PNC Plaza, 300 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2401. Copies will be provided without charge.

Our common stock is listed on the New York Stock Exchange (NYSE) under the symbol “PNC.”

**Internet Information**

The PNC Financial Services Group, Inc.’s financial reports and information about its products and services are available on the internet at www.pnc.com. We provide information for investors on our corporate website under "About Us – Investor Relations." We use our Twitter account, @pncnews, as an additional way of disseminating to the public information that may be relevant to investors.

We generally post the following under “About Us – Investor Relations” shortly before or promptly following its first use or release: financially-related press releases, including earnings releases and supplemental financial information, various SEC filings, including annual, quarterly and current reports and proxy statements, presentation materials associated with earnings and other investor conference calls or events, and access to live and recorded audio from earnings and other investor conference calls or events. In some cases, we may post the presentation materials for other investor conference calls or events several days prior to the call or event. For earnings and other conference calls or events, we generally include in our posted materials a cautionary statement regarding forward-looking and non-GAAP financial information, and we provide GAAP reconciliations when we include non-GAAP financial information. Such GAAP reconciliations may be in materials for the applicable presentation, in materials for prior presentations or in our annual, quarterly or current reports.

When warranted, we will also use our website to expedite public access to time-critical information regarding PNC instead of using a press release or a filing with the SEC for first disclosure of the information. In some circumstances, the information may be relevant to investors but directed at customers, in which case it may be accessed directly through the home page rather than "About Us - Investor Relations."

We are required to provide additional public disclosure regarding estimated income, losses and pro forma regulatory capital ratios under supervisory and PNC-developed hypothetical severely adverse economic scenarios, as well as information concerning our capital stress testing processes, pursuant to the stress testing regulations adopted by the Federal Reserve and the OCC. We are also required to make certain additional regulatory capital-related public disclosures about our capital structure, risk exposures, risk assessment processes, risk-weighted assets and overall capital adequacy, including market risk-related disclosures, under the regulatory capital rules adopted by the Federal banking agencies. Under these regulations, we may satisfy these requirements through postings on our website, and we have done so and expect to continue to do so without also providing disclosure of this information through filings with the SEC.

Other information posted on our corporate website that may not be available in our filings with the SEC includes information relating to our corporate governance and annual communications from our chairman to shareholders.

Where we have included internet addresses in this Report, such as our internet address and the internet address of the SEC, we have included those internet addresses as inactive textual references only. Except as specifically incorporated by reference into this Report, information on those websites is not part hereof.

## ITEM 1A – RISK FACTORS

We are subject to a number of risks potentially impacting our business, financial condition, results of operations and cash flows. As a financial services company, certain elements of risk are inherent in what we do and the business decisions we make. Thus, we encounter risk as part of the normal course of our business, and we design risk management processes to help manage these risks.

Our success is dependent on our ability to identify, understand and manage the risks presented by our business activities so that we can appropriately balance revenue generation and profitability. We discuss our principal risk management oversight and processes and, in appropriate places, related historical performance and other metrics in the Risk Management section included in Item 7 of this Report.

The following are the key risk factors that affect us. Any one or more of these risk factors could have a material adverse impact on our business, financial condition, results of operations or cash flows. In addition, these risks present other possible adverse consequences, including those described below. These risk factors and other risks we face are also discussed further in other sections of this Report.

**Risks Related to the Economy and Other External Factors, Including Regulation**

***Our business and financial performance are vulnerable to the impact of adverse economic conditions.***

As a financial services company, our business and overall financial performance are affected to a significant extent by economic conditions, primarily in the U.S. The U.S. currently is in a prolonged economic expansion. This is not likely to continue forever, and at some point economic conditions are likely to turn recessionary.

Declining or adverse economic conditions generally result in reduced business activity, which may decrease the demand for our products and services. The ability of borrowers to repay loans is often weakened as a result of economic downturns. Such economic conditions also may lead to turmoil and volatility in financial markets, often with at least some financial asset categories losing value. Any of these effects would likely have an adverse impact on financial institutions such as PNC, with the significance of the impact generally depending on the nature and severity of the adverse economic conditions.

Even when economic conditions are relatively good or stable, specific economic factors can negatively affect our business and performance. This can be especially true when the factors relate to particular segments of the economy. For example, shifting consumer behavior with respect to retail purchases being made over the internet rather than in physical stores has negatively impacted performance by some retailers. This likely decreases demand for financial services in that sector, possibly harming the creditworthiness of some shopping mall operators and retail companies with whom we do business. As another example, trade tensions leading to increased tariffs likely adversely affect companies that are relatively dependent on imports or exports. Increased tariffs may also result in increased prices for some products or services, leading to decreases in demand. Here, as well, affected companies may experience lower levels of business and possible declining creditworthiness. Recently increased tariffs on imports into, as well as exports out of, the U.S. have had, at least to some extent, a negative impact on the U.S. economy.

Given the geographic scope of our business and operations, we are most exposed to issues within the U.S. economy and financial markets. Within the U.S., we are most exposed to issues within markets located in the Mid-Atlantic, Midwest and Southeast. This will likely continue to be the case for at least some period of time, even as we expand the national reach of our businesses.

Our foreign business activities continue to be a relatively small part of our overall business. As a result, the direct impact on our business and performance from economic conditions outside the U.S. is not likely to be significant, although the impact would increase if we expand our foreign business more than nominally. We are, however, susceptible to the risk that such economic conditions could negatively affect our business and financial performance. Primarily, this risk results from the possibility that poor economic conditions or financial market disruptions affecting other major economies would also affect the U.S. Currently, the United Kingdom's exit from the European Union, so-called "Brexit," which became effective January 31, 2020 with a transition period through the end of 2020, has led to uncertainty regarding the impact on the economy and capital markets of the United Kingdom and throughout Europe more generally. The extent of the impact of Brexit will depend in part on transitional activities, including replacement trade agreements with the European Union, as to which uncertainties remain even after Brexit was finalized. The more severe the overall impact, the more likely it would have adverse effects on PNC and its business. PNC is also vulnerable to the impact of Brexit on PNC's customers with significant business or operations in the United Kingdom or elsewhere in the European Union. Another example is the current coronavirus outbreak originating in China. To the extent that this disease impacts business activity in China or other parts of the world where it spreads, it could adversely affect our customers dependent on the economy of China or other affected areas, even if it does not reach epidemic levels in the U.S.

Throughout the remainder of this Risk Factors section, we address specific ways in which economic issues could create risk for us and result in adverse impacts on our business and financial performance.

***The impact of government legislation, regulation and policy and other political factors on the economy could have an adverse effect on our business and financial performance.***

Changes in law or governmental policy affecting the economy, business activity, or personal spending, investing or saving activities may cause consumers and businesses to alter behavior in ways that impact demand for our products and services. Such changes may also alter the profitability of the transactions in which we engage. PNC may alter the types or terms of the products and services we offer to reflect such changes. Uncertainty regarding future law or policy may have similar impacts. Future changes in composition of Congress or in the identity of the President may create such uncertainty, as such changes often lead to changes in law or policy.

Concern regarding the ability of Congress and the President collectively to reach agreement on federal budgetary matters (including the debt ceiling), or prolonged stalemates leading to total or partial governmental shutdowns, also can have adverse economic consequences and create the risk of economic instability or market volatility, with potential adverse consequences to our business and financial performance. Divided control of the U.S. government, which has been the case since the 2018 elections and may continue to be the case following the 2020 elections, may increase concern over the inability of Congress and the President to reach necessary agreements or make government shutdowns more likely.

***The policies of the Federal Reserve and other governmental agencies have a significant impact on interest rates and overall financial market performance, which are important to our business and financial performance.***

The monetary policies of the Federal Reserve have a significant impact on interest rates and overall financial market performance. These policies can thus affect the activities and results of operations of financial companies such as PNC. An important function of the Federal Reserve is to monitor the national supply of bank credit and set certain interest rates. The actions of the Federal Reserve influence the rates of interest that we charge on loans and that we pay on borrowings and interest-bearing deposits. Rates of interest can also affect the value of our on-balance sheet and off-balance sheet financial instruments. We cannot predict the nature or timing of future changes in monetary policies or the precise effects that they may have on our activities and financial results.

In addition, monetary policy actions by governmental authorities in the European Union or other countries could have an impact on global interest rates, which could affect rates in the U.S. as well as rates on instruments denominated in currencies other than the U.S. dollar, any of which could have one or more of the potential effects on us described above.

Some of the potential impacts on our business and results of governmental monetary policy are described in Risk Factors under the heading "Risks Related to the Business of Banking."

***As a regulated financial services firm, we are subject to numerous governmental regulations and comprehensive oversight by a variety of regulatory agencies and enforcement authorities. These regulations and the manner in which they are implemented can have a significant impact on our businesses and operations.***

The PNC Financial Services Group, Inc. is a bank holding company (BHC) and a financial holding company, with the Federal Reserve as its primary regulator. PNC Bank is a federally chartered bank, with the Office of Comptroller of the Currency (OCC) as its primary regulator. In addition, our businesses are subject to regulation by multiple other banking, consumer protection, securities and derivatives regulatory bodies. We are also subject to the jurisdiction of criminal and civil enforcement authorities.

As a result, we are subject to numerous laws and regulations involving both our business and organization, with multiple regulators or agencies having supervisory or enforcement oversight over aspects of our business. These laws, regulations and supervisory activities are intended to promote the safety and soundness of financial institutions, financial market stability, the transparency and liquidity of financial markets, and consumer and investor protection. In addition to regulation in the U.S., we are also to a limited extent subject to foreign regulation as a result of our business activities outside the U.S.

Applicable laws and regulations restrict permissible activities and investments and require compliance with provisions designed to protect loan, deposit, brokerage, fiduciary, and other customers, and for the protection of customer information, among other things. We also are subject to laws and regulations designed to combat money laundering, terrorist financing, and transactions with persons, companies or foreign governments designated by U.S. authorities.

Over time, the scope of the laws and regulations affecting our businesses, as well as the number of requirements or limitations imposed by legislative or regulatory actions, has increased. Although recently there have been efforts to update some of the regulations affecting us, which has resulted in reductions in some regulatory burdens, we expect to continue to face substantial regulatory oversight for the foreseeable future. Legislative or regulatory actions can result in increased compliance costs, reduced business opportunities, or new requirements and limitations on how we conduct our business.

The Federal Reserve requires a BHC to act as a source of financial and managerial strength for its subsidiary banks. The Federal Reserve could require PNC to commit resources to PNC Bank when doing so is not otherwise in the interests of PNC or its shareholders or creditors.

The single counterparty credit limit (SCCL) rules adopted by the Federal Reserve requires that PNC limit its aggregate net credit exposure to any single unaffiliated counterparty, including BlackRock, to an amount that is no more than 25% of PNC's Tier 1 capital. PNC expects to manage its net credit exposure to BlackRock to maintain compliance with the SCCL.

The results of supervisory or examination activities by our regulators could result in limitations on our ability to engage in new activities or expand geographically. These activities also could result in significant fines, penalties, or required corrective actions, some of which could be expensive and difficult to implement. As we expand our product and service offerings into additional states or countries, we will face increases in state or foreign regulation affecting our operations. Different approaches to regulation by different jurisdictions could materially increase our compliance costs or risks of non-compliance.

A failure to comply, or to have adequate policies and procedures designed to comply, with regulatory requirements and expectations exposes us to the risk of damages, fines and regulatory penalties and other regulatory or enforcement actions or consequences, such as limitations on activities otherwise permissible for us or additional requirements for engaging in new activities, and could also injure our reputation with customers and others with whom we do business.

We expect new regulatory requirements or other initiatives to be pursued and implemented in the future. Such future regulatory requirements or initiatives could further increase our compliance costs and the risks associated with non-compliance and could affect our ability to pursue or take full advantage of some desirable business opportunities.

See the Risk Factor headed "We are subject to regulatory capital and liquidity standards that affect our business, operations and ability to pay dividends or otherwise return capital to shareholders" for a discussion of risks associated with capital and liquidity regulation. Also see Supervision and Regulation in Item 1 of this Report for more information concerning the regulation of PNC and recent initiatives to reform financial institution regulation, including some of the matters discussed in this Risk Factor. Note 18 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of this Report also discusses some of the regulation applicable to us.

***We are subject to regulatory capital and liquidity standards that affect our business, operations and ability to pay dividends or otherwise return capital to shareholders.***

PNC and PNC Bank are subject to regulatory capital and liquidity requirements established by the Federal Reserve and the OCC, respectively. These regulatory capital and liquidity requirements are typically developed at an international level by the Basel Committee on Banking Supervision (Basel Committee) and then applied, with adjustments, in each country by the appropriate domestic regulatory bodies. Domestic regulatory agencies have the ability to apply stricter capital and liquidity standards than those developed by Basel Committee. In several instances, the U.S. banking agencies have done so with respect to U.S. banking organizations.

Requirements to maintain specified levels of capital and liquidity, and regulatory expectations as to the quality of our capital and liquidity, impact our business activities and may prevent us from taking advantage of opportunities in the best interest of shareholders or force us to take actions contrary to their interests. For example, PNC's ability to pay or increase dividends or otherwise return capital to shareholders is subject to the Federal Reserve's CCAR program. In addition, capital and liquidity requirements may impact the amount and type of loans we make. We may be constrained in our ability to expand, either organically or through acquisitions. We may be forced to sell or refrain from acquiring assets where the capital requirements appear inconsistent with the assets' underlying risks. In addition, liquidity standards require us to maintain holdings of highly liquid short-term investments, thereby reducing our ability to invest in longer-term or less liquid assets, even if more desirable from an earnings, balance sheet or interest rate risk management perspective.

The Basel Committee continues to engage in capital- and liquidity-related initiatives. For example, the Basel Committee in 2017 finalized additional, significant changes to the international capital framework for banking organizations. The changes would impact the market risk capital requirements for trading positions, the standardized risk weighting approach for credit risk and the measurement of operational risk. In addition, among other things, the changes would establish a standardized approach floor for capital ratios calculated by banking organizations that use the advanced approaches for the risk weighting of assets. Moreover, the Basel Committee continues to consider other changes to the international regulatory capital framework to enhance the transparency and consistency of capital requirements among banks and jurisdictions, including, among others, the treatment of securitization positions. As it is unclear, at this time, whether or how these initiatives will be implemented in the U.S., we are unable to estimate what potential impact such initiatives may have on us.

The liquidity standards applicable to large U.S. banking organizations also are expected to be supplemented in the coming years. For example, in May 2016, the U.S. banking agencies proposed rules to implement the Net Stable Funding Ratio (NSFR), which is designed to ensure that banking organizations maintain a stable, long-term funding profile in relation to their asset composition and off-balance sheet activities. The U.S. rules have not yet been finalized, and recent proposals would adjust the scope and effect of the originally-proposed U.S. rules. Thus, the potential impact of the NSFR on us remains unclear.

Regulatory capital and liquidity requirements are subject to regular review and revision by the Basel Committee and the U.S. banking agencies. While the 2019 Tailoring Rules adjusted the capital and liquidity requirements applicable to PNC to better match our risk profile, future changes to the capital and liquidity rules may require PNC or PNC Bank to maintain more or higher quality capital or greater liquidity, which would likely increase some of the potential adverse effects described above.

The regulatory capital and liquidity frameworks as well as certain other prudential requirements and standards that are applicable to PNC are discussed in the Supervision and Regulation section included in Item 1 of this Report and the Liquidity and Capital Management portion of the Risk Management section of Item 7 of this Report.

***The likely discontinuance of the submission of rates for the calculation of LIBOR presents risks to the financial instruments originated, held or serviced by PNC that use LIBOR as a reference rate.***

As is the case with most large financial institutions, a significant portion of our transactions involve interest where the interest rate varies or adjusts over time. Variable or adjusting interest rates are calculated by adding a contractually defined credit spread to a base or reference rate. LIBOR is used as a reference rate for a substantial majority of our transactions involving variable or adjustable interest. Transactions tied to LIBOR include many of those in which money, both to consumers and to businesses, or where

we issue securities or purchase and sell securities issued by others, as well as many derivative transactions that we enter into to manage our or our customers' risk. We also service financial instruments entered into by others that use LIBOR as the reference rate.

LIBOR is derived from the rates at which LIBOR panel banks borrow from other global banks. Panel banks submit rate information to an administrator that uses this information to calculate LIBOR. The rates submitted by panel banks on which LIBOR is based reflect the credit risk associated with the submitting banks, and LIBOR is accordingly viewed as a "credit-sensitive" rate. LIBOR is the subject of recent national and international regulatory guidance and proposals for reform. The United Kingdom Financial Conduct Authority, which regulates the process for setting LIBOR, announced in July 2017 that it intends to no longer persuade or compel panel banks to submit rates to the administrator after 2021. Accordingly, we and others are preparing for the likelihood of LIBOR cessation at year end 2021.

There are ongoing efforts to establish one or more alternative reference rates to replace LIBOR assuming its cessation. If a rate does not achieve wide acceptance as the alternative to LIBOR, there likely will be disruption to the markets relying on the availability of a broadly accepted reference rate. At present, the Secured Overnight Financing Rate (or SOFR) is considered the most likely alternative reference rate suitable for replacing LIBOR for most types of transactions, including derivatives, but issues remain with respect to its implementation. SOFR is derived from rates on overnight US Treasury repurchase or "repo" transactions, which are like overnight loans secured by U.S. Treasury bonds and is viewed as "riskless". In other words, SOFR does not reflect credit risk as the underlying transactions are secured by U.S. Treasury securities. In addition, disruptions in that repo market may lead to some volatility in SOFR even when credit quality is stable. Although SOFR is a relatively new rate, there is historical information with respect to analogs to SOFR, and extrapolations regarding how SOFR may behave in the future are available.

Changing to SOFR or another riskless rate will contribute to the value transfer risk due to the differences in how riskless and credit-sensitive rates like LIBOR behave. Historically, in periods of economic or financial industry stress, riskless rates that are analogous to SOFR have been relatively stable. In contrast, LIBOR, which is designed to reflect the credit risk of banks, has widened relative to riskless rates, reflecting increased uncertainty regarding the credit-worthiness of banks. Accordingly, assuming that SOFR will behave like its historical analogs, an instrument that transitions from LIBOR to SOFR may not yield identical economic outcomes for each contracting party to an instrument had the instrument continued to reference LIBOR. Similarly, SOFR, because it is riskless, tends to be a lower rate than LIBOR.

When an instrument that uses LIBOR as a reference rate transitions to a new reference rate, there will likely often be value transfer between us and the other contracting parties to that instrument (such as borrower, derivative counterparty, or bond holder). Impacts from a change in reference rate would likely include changes to the yield on and value of loans or securities held by us, amounts paid on securities we have issued, amounts received and paid on derivative instruments we have entered into and the trading market for LIBOR-based securities. Depending on the extent and direction of these changes, they could be financially adverse or beneficial to us or to our counterparties. Any theoretical benefit to us could result in counterparty dissatisfaction, which, in turn could lead to litigation or other adverse consequences. As a result, over the life of a transaction that transitions from LIBOR to a new reference rate, our monetary obligations to our counterparty (or their obligations to us) and the yield we receive (or pay) from the transaction with that counterparty may change from that which would have resulted from a continuation of LIBOR.

Transitioning to a replacement rate will likely require an adjustment to contractual credit spreads (the amount added to the reference rate to determine the actual applicable interest rate) so that the new interest rate approximates the LIBOR-based rate. As the replacement reference rate will likely behave differently over time compared with LIBOR, it is likely that an adjusted credit spread that effectively results in a comparable interest rate to a LIBOR-based rate at some points in time will not do so at others.

Another set of risks associated with LIBOR cessation relates to how the transition from LIBOR to another rate will be effected. For some instruments, the method of transitioning to a new reference rate may be challenging. The challenges will be particularly acute where the contract does not provide for a transition on LIBOR cessation or the relevant contractual language relating to a potential transition is ambiguous or inadequate under the circumstances. Absent legislative solutions, where the contract does not appropriately provide for transition, we may seek to negotiate with impacted counterparties or, if not possible, affect reference rate transition through other means. Affecting transition under these circumstances may be challenging or ineffective and in some cases may involve concession on our part that has the effect of reducing the value of the instrument to us.

For instance, the vast majority of LIBOR-based interest rate swap derivative contracts do not currently contemplate the possibility that LIBOR will cease to exist. The International Swaps and Dealer Association (ISDA), the industry trade group for swaps, intends to issue new industry standard definitions that will contemplate the possibility of LIBOR cessation. These new definitions will establish the fallback rate, which is expected to be SOFR, as well as address, among other things, how to determine the credit spread adjustment when a LIBOR-based swap transitions to SOFR. Once effective, these definitions will apply to all newly executed derivatives contracts. ISDA intends to publish "protocols" pursuant to which industry participants can agree with any other industry participant that adheres to the protocols to adopt these new definitions into legacy derivatives contracts. While these protocols are likely to be widely adopted among active swap industry participants, it is possible that many "end users" of swaps, *i.e.*, our borrowers who have

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hedged their interest rate payment obligations, may not adhere to these protocols. For these end-user counterparties, one-on-one negotiation with each counterparty will be necessary in order to amend legacy swaps to address LIBOR cessation. If we are unable to agree to appropriate LIBOR cessation provisions with these swaps counterparties, there will be uncertainty as to how to value and effect our rights and obligations under our legacy swap contracts.

We have other contracts that also do not contemplate LIBOR cessation. Still other contracts do contemplate cessation but do so in a manner that may create other risks. For example, some provide for selecting replacement rates in a manner that presents significant challenges (such as by assuming that there would be a rate calculated substantially in the same manner as LIBOR is) or that gives us or another party absolute discretion to select a rate. Some provide for determination of a reference rate without providing for adjustment of the credit spread. In these types of cases, there will likely be uncertainty surrounding transition, with all of the risks described in this Risk Factor.

In connection with implementing the transition from LIBOR to alternative rates, there is a possibility of operational errors occurring during the transition such that the replacement rate is not applied in a timely manner or is incorrectly applied. This is particularly true given the volume of contracts that will require transition and the diversity of potential approaches to transition and given the possibility that the period during which the transition will need to take place may have a short duration.

The potential issues associated with the transition from LIBOR to another reference rate create the risk of dissatisfied customers or of impaired relationships with financial institution counterparties. This could result from a perception that the value transfer likely to occur as a result of transition from LIBOR to another rate favors PNC. It could also arise through disagreements as to the resolution of contractual issues related to the transition, including where the transition involves the use of discretion on our part, or the failure to come to terms on an appropriate replacement rate if necessary. In addition to the risk of loss of business in these circumstances, customers or other counterparties unhappy with the transition could bring lawsuits, potentially as class actions, against us, creating the risk of substantial damages as well as high litigation defense costs.

Similarly, our failure to successfully implement transition from LIBOR to alternative rates could result in regulatory scrutiny and actions by our regulators including fines and other supervisory sanctions.

While we expect LIBOR to continue to be available in substantially its current form until the end of 2021 or shortly before that, it is possible that LIBOR quotes will become unavailable prior to that point. This could result, for example, if a sufficient number of panel banks decline to make submissions to the LIBOR administrator. In that case, the risks associated with the transition to an alternative reference rate will be accelerated and magnified. These risks may also be increased due to the shorter time for preparing for the transition.

In order to address LIBOR cessation and the associated risks, we have established an enterprise LIBOR transition program, described in the Market Risk Management portion of the Risk Management section in Item 7 of this Report. Any failure of this program to appropriately assess and mitigate risk and deliver in a timely manner on operationalizing our ability to transition from LIBOR could magnify the risks previously outlined.

***New customer privacy initiatives will impose additional operational burdens on PNC, may limit our ability to pursue desirable business initiatives and increase the risks associated with any future use of customer data.***

Recently there has been an increase in legislative and regulatory efforts to protect the privacy of consumer data. Significant examples include the General Data Protection Regulation of the European Union and the California Consumer Privacy Act. These initiatives, among other things, limit how companies can use customer data and impose obligations on companies in their management of such data. Financial services companies such as PNC necessarily gather, maintain and use a significant amount of customer data. These types of initiatives increase compliance complexity and related costs, result in significant financial penalties for compliance failures, and limit our ability to develop new products or respond to technological changes. Such legal requirements also could heighten the reputational impact of perceived misuses of customer data by us, our vendors, or others who gain unauthorized access to our customer data. Other jurisdictions may adopt similar requirements that impose different and potentially inconsistent compliance burdens. The impacts will be greater to the extent requirements vary across jurisdictions.

***Societal responses to climate change could adversely affect our business and performance, including indirectly through impacts on our customers.***

Concerns over the long-term impacts of climate change have led and will continue to lead to governmental efforts around the world to mitigate those impacts. Consumers and businesses also are changing their behavior as a result of these concerns. PNC and its customers will need to respond to new laws and regulations as well as consumer and business preferences resulting from climate change concerns. We and our customers may face cost increases, asset value reductions, operating process changes, and the like. The impact on our customers will likely vary depending on their specific attributes, including their reliance on or role in carbon intensive activities as well as their exposure to the effects of climate change. Among the impacts to PNC could be a drop in demand for our

products and services, particularly in certain sectors. In addition, we could face reductions in creditworthiness on the part of some customers or in the value of assets securing loans, or pressure from individuals or groups to cease doing business with certain companies or sectors. The Risk Factor headed "We are at risk for an adverse impact on our business due to damage to our reputation" has further discussion of risks associated with activist pressure. Our efforts to take these risks into account in making lending and other decisions, including by increasing our business with climate-friendly companies, may not be effective in protecting us from the negative impact of new laws and regulations or changes in consumer or business behavior, including those resulting from activist pressure.

**Risks Related to the Use of Technology**

***The use of technology is critical to our ability to maintain or enhance the competitiveness of our businesses.***

As a large financial services company, we handle a substantial volume of customer and other financial transactions. As a result, we rely heavily on information systems to conduct our business and to process, record and monitor our transactions and those of our customers. Over time, we have seen more customer usage of technological solutions for financial needs as well as higher expectations of customers and regulators regarding effective and safe systems operation. In many cases, the effective use of technology increases efficiency and enables financial institutions to better serve customers. As a result of these factors, the financial services industry is undergoing rapid technological change with frequent introductions of new technology-driven products and services. Examples include expanded use of cloud computing, artificial intelligence and machine learning, virtual and augmented reality, biometric authentication, voice and natural language, and data protection enhancements, as well as increased online and mobile device interaction with customers. We expect these trends to continue for the foreseeable future. Change is coming both from traditional banking companies and non-bank financial technology companies offering financial products and services, particularly payment services and lending. Our ability to succeed is dependent on the technologies we employ and offer our customers and the extent to which we at least keep pace with, if not exceed, our competitors' progress and our customers' needs and expectations.

In response to actual and anticipated customer behavior and expectations, as well as competitive pressures, we have been investing in technology and connectivity. We are seeking to automate functions previously performed manually, facilitate the ability of customers to engage in financial transactions, and otherwise enhance the customer experience with respect to our products and services. This effort has involved the expenditure of considerable amounts of funds and other resources. A failure to maintain or enhance our competitive position with respect to technology, whether because we fail to anticipate customer expectations or because our technological developments fail to perform as desired or are not rolled out in a timely manner or because we fail to keep pace with our competitors, would likely cause us to lose market share or incur additional expense. Our ability to maintain or enhance our relative technological position is in part dependent on our ability to attract and retain talented employees in these fields, which, due to overall demand, is increasingly difficult.

***Our use of technology is dependent on having the right to use the underlying intellectual property.***

In some cases, we develop internally the intellectual property embedded in the technology we use. In others, we or our vendors license it from others. Regardless of the source of the intellectual property, if another person or entity were deemed to own intellectual property infringed by our activities, we could be responsible for significant damages covering past activities and substantial fees to continue to engage in these types of activities. It also is possible that we could be prevented from using technology important to our business for at least a period of time. In such a circumstance, there may be no alternative technology for us to use or an appropriate alternative technology might be expensive to obtain. Protections offered by those from whom we license technology against these risks may be inadequate to cover fully any losses. Over time, there have been instances where key technology used by PNC and other financial institutions has been alleged to have infringed patents held by others, and in some cases we, as well as other financial institutions, have suffered losses of the types described above.

***We could suffer a material adverse impact from interruptions in the effective operation of our information systems and other technology.***

The need to ensure proper functioning and resiliency of our information systems and other technology has become more important and more challenging, and the costs involved in that effort continue to be high. The risks of operational failures in the use of these systems result from a variety of factors. We are vulnerable to the impact of failures of our systems to operate as needed or intended. Failures leading to materially adverse impacts could include those resulting from human error, unexpected transaction volumes, or overall design or performance issues. In addition, our ability to use our technology effectively could be impacted due to bad weather, disasters, bad actors, terrorism and the like. Such events could affect our systems directly or limit our ability to use our technology due to effects on key underlying infrastructure. In some cases, the risk results from the potential for bad acts on the part of others, discussed in more detail in the Risk Factor headed "We are vulnerable to the risk of third party breaches of data security affecting the functioning of systems or the confidentiality of information, either at PNC or at third parties handling PNC information."

We also rely on information systems maintained by other companies. We use other companies both to provide products and services directly to us and to assist in providing products and services to our customers. Others provide the infrastructure that supports, for example, communications, payment, clearing and settlement systems, or information processing and storage. These companies range

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from those providing highly sophisticated information processing to those that provide fundamental services, such as electric power and telecommunications. In some cases, these other companies themselves utilize third parties to support their delivery of products and services to us and our customers. Systems maintained by or for these other companies are generally subject to many of the same risks we face with respect to our systems and thus their issues could have a negative impact on PNC. We necessarily have less ability to provide oversight over other companies' information systems.

A number of our customers choose to use financial applications (apps) that allow them to view banking and other financial account information, often held at different financial institutions, on a single platform, to monitor the performance of their investments, to compare financial and investment products, to make payments or transfer funds, and otherwise to help manage their finances and investments. Financial apps typically ask users to provide their secure banking log-in information and credentials (username and password) so the apps can link to users' accounts at financial institutions. Companies offering these apps frequently use third-party data aggregators – behind-the-scenes technology companies that serve as a data-gathering service provider – to deliver customer financial data that is used by the financial apps. To do this, data aggregators are provided with customers' log-in information and credentials, which allows the aggregators to access the customers' online account and "scrape" the customers' data, often on a daily basis. That same information has the potential to facilitate fraud if it is not properly protected. In fact, the Director of the Financial Crimes Enforcement Network (FinCEN) has stated that FinCEN has seen high incidences of fraud, including automated clearing house (ACH) fraud, credit card fraud, and wire fraud, enabled through the use of synthetic identities and through account takeovers via these platforms. In some cases, cybercriminals appear to be using such data aggregators and integrators to facilitate account takeovers and fraudulent wires. PNC could face increased financial exposure due to fraudulent activity associated with the increased use of these apps and data aggregators. Even where PNC does not have responsibility for fraud losses associated with these apps and data aggregators, PNC could suffer increased reputational harm when such losses occur.

Although we regularly update and replace systems, both internal and third party, that we depend on as our needs evolve and technology improves, we continue to utilize some older systems that may not be as reliable as newer ones. In addition, the implementation of and transition to new or updated systems creates risks related to associated timing and costs, disruptions in functionality for customers and longer term failures to achieve desired improvements.

The occurrence of any failure, interruption or security breach of any of our information or communications systems, or the systems of other companies on which we rely, could result in a wide variety of adverse consequences to us. This risk is greater if the issue is widespread, extends for a significant period of time, or results in financial losses to our customers. The consequences of failures to operate systems properly can include disruptions to our ability to use our accounting, deposit, loan, payment and other systems. Such events could also cause errors in transactions or impair system functionality with customers, vendors or other parties. Possible adverse consequences also include damage to our reputation or a loss of customer business, which could occur even if the negative impact on customers was de minimis. We also could face litigation or additional regulatory scrutiny. This in turn could lead to liability or other sanctions, including fines and penalties or reimbursement of adversely affected customers. Even if we do not suffer any material adverse consequences as a result of events affecting us directly, information systems issues at other financial institutions could lead to a general loss of customer confidence in financial institutions, including us. Also, system problems, including those resulting from third party attacks, whether at PNC or at our competitors, would likely broadly increase legislative, regulatory and customer concerns regarding the functioning, safety and security of such systems. In that case, we would expect to incur even higher levels of costs with respect to prevention and mitigation of these risks.

***We are vulnerable to the risk of third party breaches of data security affecting the functioning of systems or the confidentiality of information, either at PNC or at third parties handling PNC information.***

We are faced with ongoing efforts by others to breach data security at financial institutions or with respect to financial transactions. The threat posed by these efforts is ever-present, with essentially continual attacks. Some of these involve efforts to enter our systems directly by going through or around our security protections. Others involve the use of social engineering schemes to gain access to confidential information from our employees, customers or vendors. Most corporate and commercial transactions are now handled electronically, and our retail customers increasingly use online access and mobile devices to bank with us. The ability to conduct business with us in this manner depends on the transmission and storage of confidential information in electronic form. As a result, efforts by bad actors to engage in various types of cyber attacks pose serious risks to our business and reputation. The same risks are presented by attacks potentially affecting information held by third parties on our behalf or accessed by third parties, including those offering financial apps, on behalf of our customers.

In the ordinary course, we maintain and process vast amounts of information about us, our customers and our employees. This information tends to be confidential or proprietary and much of it is highly sensitive. The highly sensitive information includes information sufficient to support identity theft and personal health information, as well as information regarding our business plans and financial performance that has not been made public. One way in which bad actors attempt to harm us is by seeking access to some of this confidential or proprietary information, often with the intent of stealing from or defrauding us or our customers. In other cases, they seek to disrupt our ability to conduct our business, including by destroying or impairing our access to information maintained by us.

Our customers often use their own devices, such as computers, smartphones and tablets, to do business with us and may provide their PNC customer information (including passwords) to a third party in connection with obtaining services from the third party, including those offering financial apps. Although we take steps to provide safety and security for our customers' transactions with us and their customer information to the extent they are utilizing their own devices or providing third parties access to their accounts, our ability to assure such safety and security is necessarily limited.

As our customers regularly use PNC-issued credit and debit cards to pay for transactions with retailers and other businesses, there is also the risk of data security breaches at those other businesses covering PNC account information. When our customers use PNC issued cards to make purchases from those businesses, card account information often is provided to the business. If the business's systems that process or store card account information are subject to a data security breach, holders of our cards who have made purchases from that business may experience fraud on their card accounts. We can be responsible for reimbursing our customers for such fraudulent transactions on customers' card accounts, as well as for other costs related to data security compromise events, such as replacing cards associated with compromised card accounts, but to date such losses have not been material to us. In addition, we provide card transaction processing services to some merchant customers under agreements we have with payment networks such as Visa and Mastercard. Under these agreements, we may be responsible for certain losses and penalties if one of our merchant customers suffers a data security breach.

Over the last few years, several large companies disclosed that they had suffered substantial data security breaches compromising millions of user accounts and credentials. To date, our losses and costs related to these types of breaches, including those where some of the accounts affected were with PNC, have not been material. Other similar events in the future could be more significant to us. Moreover, to the extent more consumer confidential information becomes available to bad actors through the cumulative effect of data breaches at companies generally, bad actors may find it easier to use such information to gain access to our customer accounts.

There have been other recent publicly announced cyber attacks that were not focused on gaining access to credit card or user credential information but instead sought access to a range of other types of confidential information including internal emails and other forms of customer financial information. Ransomware attacks have sought to deny access to data and possibly shut down systems and devices maintained by target companies. In a ransomware attack, system data is encrypted or access is otherwise denied, accompanied by a demand for ransom to restore access to the data.

A number of companies have fallen victim to business email compromise (BEC) scams in recent years. BEC scams involve using social engineering to cause employees to wire funds to the perpetrators in the mistaken belief that the requests were made by a company executive or established vendor. While we have not experienced material losses from BEC scams to date, some of our commercial customers have been victimized. Attacks on our customers may put these relationships at risk, particularly if customers' ability to continue operations is impaired due to the losses suffered.

Other attacks in recent years have included distributed denial of service (DDoS) attacks, in which individuals or organizations flood commercial websites with extraordinarily high volumes of traffic with the goal of disrupting the ability of commercial enterprises to process transactions and possibly making their websites unavailable to customers for extended periods of time. We (as well as other financial services companies) have been subject to such attacks.

In addition to threats from external sources, insider threats represent a significant risk to us. Insiders, including those having legitimate access to our systems and the information contained in them, have the easiest opportunity to make inappropriate use of the systems and information. Addressing that risk requires understanding not only how to protect us from unauthorized use and disclosure of data, but also how to engage behavioral analytics and other tools to identify potential internal threats before any damage is done.

To date, none of these types of attacks have had a material impact on us. Nonetheless, we cannot entirely block efforts by bad actors to harm us. And our efforts to prevent significant harm from attacks may be insufficient. As a result, we could suffer material financial and reputational losses in the future from any of these or other types of attacks. Attacks on others, some of which have led to serious adverse consequences, demonstrate the risks posed by new and evolving types of cyber attacks. Our ability to protect confidential or proprietary information is even more limited with respect to information held by third parties. We may suffer reputational damage or legal liability for unauthorized access to customer information held by third parties, even if we were in fact not responsible for preventing such access and had no reasonable way of preventing it.

***We need effective programs to limit the risk of failures or breaches occurring in our information systems and to mitigate the impact when they do.***

We have policies, procedures and systems (including cyber security and business continuity programs) designed to prevent or limit the effect of possible failures, interruptions or breaches in security of information systems. In recent years, we have devoted significant resources towards improving the reliability of our systems and their security against external and internal threats. We design our business continuity and other information and technology risk management programs to manage our capabilities to provide services in the case of an event resulting in material disruptions of business activities affecting our employees, facilities, technology or suppliers. We regularly seek to test the effectiveness of and enhance these policies, procedures and systems. Where the risk relates to products or services provided by others, we seek to engage in due diligence and monitoring to limit the risk. Nonetheless, we cannot guarantee the

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effectiveness of our policies, procedures and systems to protect us in any particular future situation, nor the effectiveness of our oversight of risk at third parties. Should an adverse event affecting another company's systems occur, we may not have financial protection from the other company sufficient to compensate us or otherwise protect us from the consequences.

Methods used by others to attack information systems change frequently (with generally increasing sophistication). A new method of attack often is not recognized until launched against a target. Attacks in some cases appear to be supported by foreign governments or other well-financed entities and often originate from less regulated and remote areas around the world. As a result, we may be unable to implement adequate preventive measures to address these methods in advance of attacks.

Even with our proactive and defensive measures in place, adverse events are likely to occur and there remains the risk that one or more such events would be material to PNC. Our ability to mitigate the adverse consequences of such occurrences is in part dependent on the quality of our business continuity planning, our ability to understand threats to us from a holistic perspective, and our ability to anticipate the timing and nature of any such event that occurs, with novel or unusual events posing a greater risk. It is also the case that an adverse event can go undetected for a period of time, with the adverse consequences likely greater the longer it takes to discover the problem. In many cases, it also depends on the preparedness and responses of national or regional governments, including emergency responders, or on the part of other organizations and businesses with which we deal.

**Risks Related to the Business of Banking**

***Our business and financial results are subject to risks associated with the creditworthiness of our customers and counterparties.***

Credit risk is inherent in the financial services business. It results from, among other things, extending credit to customers, purchasing securities, and entering into financial derivative transactions and certain guarantee contracts. Credit risk is one of our most significant risks, particularly given the high percentage of our assets represented directly or indirectly by loans and securities and the importance of lending activity to our overall business. We manage credit risk by assessing and monitoring the creditworthiness of our customers and counterparties, by diversifying our loan portfolio and by investing primarily in high quality securities.

A borrower's ability to repay a loan can be adversely affected by many factors. Individual borrowers can be affected, for example, by declines in income, job losses, health issues or family issues. Commercial borrowers can be affected, for example, by poor business performance or catastrophe losses. Weakness in the economy or in financial markets would typically adversely impact the ability of our borrowers to repay outstanding loans. Borrowers with higher leverage (that is, higher ratios of indebtedness to total capitalization or income) have an increased risk that they will be unable to repay loans, particularly when economic conditions worsen. We are exposed to credit risk when we fail to evaluate properly at origination the likely ability of a borrower to repay a loan. Overestimating the current and potential value of any collateral pledged to support the loan also adds to our credit risk. A failure to identify declining creditworthiness of a borrower or declining collateral value at a time when remedial actions could reduce our exposure also increases credit risk. Any decrease in our borrowers' ability to repay loans would result in higher levels of nonperforming loans, net charge-offs, provision for credit losses and valuation adjustments on loans held for sale. Managing credit risk effectively also relies on forecasts of future overall economic conditions, which are inherently imperfect. For several years, credit risk has been at low levels by historical standards. Recently, we have experienced some normalization of credit risk, although still at historically low levels. Continued normalization would adversely affect our results of operations, even if overall economic conditions and borrower creditworthiness remain strong.

In addition to credit risk associated with our lending activities, we have credit risk arising from many other types of business relationships. Routine transactions give us credit exposure to brokers and dealers, commercial banks, investment banks, mutual and hedge funds, other institutional clients, as well as vendors and other non-financial entities.

In the ordinary course of business, we often have heightened credit exposure to a particular industry, region or financial market. As an example, loans secured by commercial and residential real estate typically represent a significant percentage of our overall credit portfolio. They also represent a portion of the assets underlying our investment securities. Although there are limitations on the extent of total exposure to an individual or business borrower, we may have outsized exposure to a particular borrower experiencing financial distress. Events adversely affecting specific customers or counterparties, industries, regions or financial markets, including a decline in their creditworthiness or a worsening overall risk profile, could materially and adversely affect us. Declining economic conditions also may impact commercial borrowers more than consumer borrowers, or vice versa. The last recession, for example, impacted consumers, particularly with respect to residential mortgage loans, more than commercial borrowers. A future recession may have the opposite result. Thus, the mix of our loan portfolio may affect the severity of the impact of a future recession.

Our credit risk may be exacerbated when collateral held by us to secure obligations to us cannot be realized upon or is liquidated at prices that are not sufficient to recover the full amount of the loan or derivative exposure due us.

We reserve for credit losses on our loan and lease portfolio through our allowance for credit losses. We also have reserves for unfunded loan commitments and letters of credit. Changes are reflected in net income through provision for credit losses. An increase in credit risk would likely lead to an increase in provision for credit losses with a resulting reduction in our net income and would increase our allowance.

Effective January 1, 2020, we adopted required changes in accounting for credit losses as a result of the Current Expected Credit Losses (CECL) standard. Implementation of these changes is likely to result in an increase in period-to-period volatility in the amounts we recognize as provision for credit losses with a corresponding increase in period-to-period volatility in our net income. It is also likely to reduce the comparability across banking companies due to, for example, different economic assumptions used in underlying models as well as differences in product mix. The impact of the adoption of CECL is described in more detail in Note 1 Accounting Policies in the Notes To Consolidated Financial Statements in Item 8 of this Report.

***Our business and financial performance are impacted significantly by market interest rates and movements in those rates.***

As a result of the high percentage of our assets and liabilities that are in the form of interest-bearing or interest-related instruments, changes in interest rates, in the shape of the yield curve, or in spreads between different market interest rates can have a material effect on our business, our profitability and the value of our financial assets and liabilities. For example:

- Changes in interest rates or interest rate spreads affect the difference between the interest that we earn on assets and the interest that we pay on liabilities, which impacts our overall net interest income and margin as well as our profitability.
- Such changes can affect the ability of borrowers to meet obligations under variable or adjustable rate loans and other debt instruments, and can, in turn, increase our credit losses on those assets.
- Such changes can decrease the demand for interest rate-based products and services, including loans and deposit accounts.
- Such changes affect our hedging of various forms of market and interest rate risk and may decrease the effectiveness of those hedges in helping to manage such risks.
- Movements in interest rates also affect mortgage prepayment speeds and could result in impairments of mortgage servicing assets or otherwise affect the profitability of such assets.
- Increases in interest rates likely lower the price we would receive on fixed-rate customer obligations if we were to sell them.

The rates on some interest-bearing instruments adjust promptly in accordance with changes in market rates, while others adjust only periodically or are fixed throughout a defined term. As a result, the impact of changes in interest rates can be either increased or diluted due to differences in the relative variability of the rates paid on our liabilities in relation to the rates received on our assets. The extent to which we have elected to hedge interest rate risk through interest rate swaps also affects the impact of rate changes. We attempt to manage the balance sheet to increase our benefit or reduce negative impacts from future movements in interest rates, but failures to anticipate actual movements may have the opposite result.

While in general higher interest rates enhance our ability to grow our net interest income, there are risks associated with a rising interest rate environment. As a general matter, increasing rates tend to decrease the value of fixed rate financial instruments held on our balance sheet, as discussed in the Risk Factor headed "Our business and financial performance are vulnerable to the impact of changes in the values of financial assets." Also, customers may be less willing overall to borrow at higher rates. Higher interest rates may indirectly affect the value of asset classes such as real estate typically financed through secured loans, with a resulting negative effect on collateral securing such loans. As another example, there may be increased competitive pressures as rates on deposit products rise. The benefits of higher interest rates are best achieved if we can increase the rates on loans and other assets faster than the rates on deposits and other liabilities increase. We may not be able to achieve this result in a rising rate environment.

On the other hand, lower interest rates tend to have a negative impact on our net interest margin and, unless compensated for by increases in interest-earning assets, on our net interest income.

We discuss the impact of governmental monetary policy on interest rates in the Risk Factor headed "The policies of the Federal Reserve and other governmental agencies have a significant impact on interest rates and overall financial market performance, which are important to our business and financial performance."

***Our business and financial performance are vulnerable to the impact of changes in the values of financial assets.***

As a financial institution, a substantial majority of our assets and liabilities are financial in nature. Examples include loans, securities, servicing rights, deposits and borrowings. Such assets and liabilities will fluctuate in value, often significantly, due to movements in the financial markets or market volatility as well as developments specific to the asset or liability in question. Credit-based assets and liabilities will fluctuate in value due to changes in the perceived creditworthiness of borrowers or other counterparties and also due to changes in market interest rates.

Changes in loan prepayment speeds, which often occur when interest rates change, impact the value of our mortgage servicing rights, possibly adversely. Also, the underlying value of assets under lease or securing an obligation generally decreases due to increases in supply or decreases in demand for the asset or deterioration in the condition of the asset. This could negatively impact the ability to collect fully on the secured obligation.

In many cases, we mark our assets and liabilities to market on our financial statements, either through Net income and Retained earnings or through adjustments to Accumulated other comprehensive income. We may need to record losses in the value of financial

assets even where our expectation of realizing the face value of the underlying instrument has not changed. Other assets and liabilities are not marked to market. As a result, our balance sheet may not precisely represent the fair market value of our financial assets and liabilities.

In addition, asset management revenue is earned primarily based on a percentage of the value of the assets being managed and thus is impacted by general changes in market valuations. Thus, although we are not directly impacted by changes in the value of such assets, decreases in the value of those assets would affect related Noninterest income.

**Risks Related to Estimates and Assumptions**

***Our asset and liability valuations and the determination of the amount of loss allowances and impairments taken on our assets are highly subjective. Inaccurate estimates could materially impact our results of operations or financial position.***

We must use estimates, assumptions and judgments when assets and liabilities are measured and reported at fair value. Assets and liabilities carried at fair value inherently result in a higher degree of financial statement volatility. Changes in underlying factors or assumptions in any of the areas underlying our estimates could materially impact our future financial condition and results of operations. During periods of market disruption, it would be difficult to value certain assets if trading becomes less frequent and/or market data becomes less observable. There may be certain asset classes that were historically traded in active markets with significant observable data that rapidly become illiquid due to market volatility, a loss in market confidence or other factors. In addition, we have assets and liabilities carried at fair value that are estimated using unobservable inputs that are significant to the fair value of the assets or liabilities. The valuation of any asset or liability substantially based on unobservable inputs is necessarily less reliable than those based on active trading markets. Further, rapidly changing and unprecedented market conditions in any particular market could materially impact the valuation of assets as reported within our consolidated financial statements. Our ability to hedge exposure is in part dependent on our ability to value the related assets or liabilities.

The determination of the amount of loss allowances and asset impairments varies by asset type and is based upon our periodic evaluation and assessment of known and inherent risks associated with the respective asset class. Management updates its evaluations regularly and reflects changes in allowances and impairments in operations as such evaluations are revised. Although we have policies and procedures in place to determine loss allowance and asset impairments, due to the subjective nature of this area, the level of impairments taken and allowances reflected in our financial statements may not accurately reflect the actual level of risk and the amount of future losses.

***There are risks resulting from the extensive use of models in our business.***

We rely on quantitative models to measure risks and to estimate many financial values. We use models throughout much of our business, relying on them for much of our decision making. Examples of areas we use models include determining the pricing of various products, grading loans and extending credit, measuring interest rate and other market risks, predicting or estimating losses, assessing capital adequacy, and calculating economic and regulatory capital levels. We also use models to estimate the value of financial instruments and balance sheet items. The process of preparing for the implementation of CECL has required the development of significant new and complex models. We will depend on these going forward for our credit loss accounting.

Models generally evaluate the performance of various factors under anticipated future conditions, relying on historical data to help build the model and in part on assumptions as to the future, often with respect to macro-economic conditions, in order to generate the output. Poorly designed or implemented models, including in the choice of relevant historical data or future-looking assumptions, present the risk that our business decisions based on information incorporating model output will be adversely affected due to the inadequacy of that information. Also, information we provide to the public or to our regulators based on poorly designed or implemented models could be inaccurate or misleading. Some of the decisions that our regulators make, including those related to capital distributions to our shareholders, would likely be affected adversely if they perceive that the quality of the relevant models used is insufficient.

**Risks Related to Our Need for Customers**

***Our success depends on our ability to attract and retain customers for our products and services.***

Our performance is subject to risks associated with declines in customer demand for our products and services. As a result of the nature of those products and services, we are particularly at risk for losses of economic confidence or customer trust in us.

Economic and market developments may affect consumer and business confidence levels. If customers lose confidence due to concerns regarding the economy, the demand for our products and services could suffer. We may also fail to attract or retain customers if we are unable to develop and market products and services that meet evolving customer needs or demands or if we are unable to deliver them effectively and securely to our customers. This is particularly true to the extent that our competitors are better able to do so.

If we fail to attract and retain customers, demand for our loans and other financial products and services could decrease and we could experience adverse changes in payment patterns. We could lose interest income from a decline in credit usage and noninterest income from a decline in product sales, investments and other transactions. Our customers could remove money from checking, savings or other types of deposit accounts with us in favor of other banks or other types of investment products. Deposits are a low cost source of funds for us. Therefore, losing deposits could increase our funding costs and reduce our net interest income.

Our ability to attract and retain customer deposits is impacted by the levels of interest rates, as customers balance the benefits of bank accounts such as deposit insurance and some of the convenience associated with more traditional banking products against the possibility of higher yields from other investments. In general, if the spread between the rates we offer and those offered by alternatives to bank accounts widens, customers are often willing to forego the benefits of bank accounts for higher returns elsewhere. In such circumstances, we would need either to increase rates to levels that are seen as competitive or lose customers, in either case with a negative impact to net interest income. Loss of customers could also harm noninterest income by decreasing fee-bearing transaction volume. In addition, when rates are higher, customers tend to shift deposits from noninterest-bearing accounts to interest-bearing ones, thereby negatively impacting net interest income.

Our customers increasingly use third party financial applications that are expected to interface with their PNC accounts. This use leads to the risk that issues with respect to the effective functioning of that interface, regardless of cause, could result in a loss of customers as they seek banking relationships that work better with these other applications.

News or other publicity that harms our reputation, or harms the reputation of our industry generally, also could cause a loss of customers or a reduction in the extent to which customers do business with us. This is described further in the Risk Factor headed "We are at risk for an adverse impact on our business due to damage to our reputation."

In our asset management business, investment performance is an important factor influencing the level of assets that we manage. Poor investment performance could hurt revenue and growth as existing clients might withdraw funds in favor of better performing products. Additionally, the ability to attract funds from existing and new clients might diminish. Overall economic conditions may limit the amount that customers are able or willing to invest as well as the value of the assets they do invest. The failure or negative performance of products of other financial institutions could lead to a loss of confidence in similar products offered by us without regard to the performance of our products. Such a negative contagion could lead to withdrawals, redemptions and liquidity issues in such products and have an adverse impact on our assets under management and asset management revenues and earnings.

***We are at risk for an adverse impact on our business due to damage to our reputation.***

Our ability to compete effectively, to attract and retain customers and employees, and to grow our business is dependent on maintaining our reputation and having the trust of our customers and employees. Many types of developments, if publicized, can negatively impact a company's reputation with adverse consequences to its business.

Financial services companies are highly vulnerable to reputational damage when they are found to have harmed customers, particularly retail customers, through conduct that is seen as illegal, unfair, deceptive, manipulative or otherwise wrongful. There also may be reputational damage from human error or systems failures viewed as having harmed customers but not involving misconduct. The reputational impact is likely greater to the extent that the bad conduct, error or failure are pervasive, long-standing or affect a significant number of customers, particularly retail consumers. The negative impact of such reputational damage on our business may be disproportionate to the actual harm caused to customers. It may be severe even if we fully remediate any harm suffered by our customers. In addition, we could suffer reputational harm and a loss of customer trust as a result of conduct of others in the industry even where we have not engaged in the conduct. We use third parties to help in many aspects of our business, with the risk that their conduct can affect our reputation regardless of the degree to which we are responsible for it.

To an increasing extent, financial services companies, including PNC, are facing criticism from social and environmental activists, with accompanying reputational risk. Activists target companies in our industry for engaging in business with specific customers or with customers in particular industries, where the customers' activities, even if legal, are perceived as having harmful impacts on matters such as environment, consumer health and safety, or society at large. Activist criticism has come in many forms, including protests at PNC facilities. PNC, together with many other financial services companies, have in recent years been criticized for financing companies engaged in, for example, extraction and distribution of fossil fuels, manufacture of nuclear and other weapons (including personal firearms), private prisons, and border control activities. Many of these issues are divisive without broad agreement as to the appropriate steps a company such as PNC should take and often with strong feelings on both sides. As a result, however we respond to such criticism, we expose ourselves to the risks that current or potential customers decline to do business with us or current or potential employees refuse to work for us. This can be true regardless of whether we are perceived by some as not having done enough to address activist concerns or by others as having inappropriately yielded to activist pressures. Activist pressure can also be a factor in decisions as to which business opportunities and customers we pursue, potentially resulting in foregone profit opportunities.

The speed with which information now moves through social media and non-mainstream news sources on the internet means that negative information about PNC can rapidly have a broadly adverse impact on our reputation. This is true whether or not the information is accurate. Once information has gone viral it can be harder to counter it effectively, either by correcting inaccuracies or

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communicating remedial steps taken for actual issues. The potential impact of negative information going viral means that material reputational harm can result from a single discrete or isolated incident.

We are also subject to the risk of reputational harm resulting from conduct of persons identified as our employees but acting outside of the scope of their employment, including through their activities on personal social media.

***We operate in a highly competitive environment in terms of the products and services we offer and the geographic markets in which we conduct business, as well as the labor markets where we compete for talented employees.***

We are subject to intense competition both from other financial institutions and from non-bank entities, including financial technology companies (often referred to as FinTech). In many cases, non-bank entities can engage in many activities similar to ours without being subject to the same types of regulation, supervision and restrictions as are applicable to banks. The competition we face is described in Item 1 of this Report under "Competition."

Consolidation in our industry, including among smaller banks combining to form more competitive larger ones and between banks and non-bank entities, could result in PNC facing more intense competition, particularly in impacted regions or with respect to particular products.

Another increasingly competitive factor in the financial services industry is the ability to attract and retain talented employees across many of our businesses and support areas. This factor presents greater risk when we are expanding into new markets, developing new product lines, or significantly enhancing staffing in certain areas, particularly technology. This competition leads to increased expenses in affected business areas. Limitations on the manner in which regulated financial institutions can compensate their officers and employees, including those contained in pending rule proposals implementing requirements of Dodd-Frank, may make it more difficult for regulated financial institutions, including PNC, to compete with unregulated companies for talent.

A failure to adequately address the competitive pressures we face could make it harder for us to attract and retain customers across our businesses. On the other hand, meeting these competitive pressures could require us to incur significant additional expense or to accept risk beyond what we would otherwise view as desirable under the circumstances. In addition, in our interest rate sensitive businesses, competitive pressures to increase rates on deposits or decrease rates on loans could reduce our net interest margin, negatively impacting our net interest income.

**Risks Related to Other Operational Issues**

***We depend on the effectiveness and integrity of employees, and the systems and controls for which they are responsible, to manage operational risks.***

We are a large company that offers a wide variety of products and services to a broad and diverse group of customers. We rely on our employees to design, manage, and operate our systems and controls to assure that we properly enter into, record and manage processes, transactions and other relationships with customers, suppliers and other parties with whom we do business. In some cases, we rely on employees of third parties to perform these tasks. We also depend on employees and the systems and controls for which they are responsible to assure that we identify and mitigate the risks that are inherent in our relationships and activities. These concerns are increased when we change processes or procedures, introduce new products or services, or implement new technologies, as we may fail to adequately identify or manage operational risks resulting from such changes.

As a result of our necessary reliance on employees, whether ours or those of third parties, to perform these tasks and manage resulting risks, we are thus subject to human vulnerabilities. These range from innocent human error to misconduct or malfeasance, potentially leading to operational breakdowns or other failures. Our controls may not be adequate to prevent problems resulting from human involvement in our business, including risks associated with the design, operation and monitoring of automated systems.

Errors by our employees or others responsible for systems and controls on which we depend and any resulting failures of those systems and controls could result in significant harm to PNC. This could include customer remediation costs, regulatory fines or penalties, litigation or enforcement actions, or limitations on our business activities. We could also suffer damage to our reputation, as described under "We are at risk for an adverse impact on our business due to damage to our reputation."

We use automation to help reduce some risks of human error. Recently, we have started taking greater advantage of machine learning, artificial intelligence and robotic process automation tools. Nonetheless, we continue to rely on many manual processes to conduct our business and manage our risks. In addition, use of automation tools does not eliminate the need for effective design and monitoring of their operation to make sure they operate as intended. Enhanced use of automation may present its own risks. These tools are dependent on the quality of the data used by the tool to learn and enhance the process for which it is responsible. Not only bad or missing data but also anomalous data can adversely affect the functioning of such tools. It is possible that humans in some cases are better able than highly automated tools to identify that anomalous data is being used or that results are themselves anomalous.

***We rely on third party vendors, service providers and other counterparties to help support many aspects of our business. When we do so, our direct control of activities related to our business is reduced, which could introduce risk.***

Our use of third parties to support our business needs typically means that we do not directly control the activities we are having them perform. Risks can arise through greater complexity and inadequate performance by the third party, specifically where that performance could affect us or our customers. Many of the kinds of risks presented by activities performed by third parties are described elsewhere in these Risk Factors. For example, we use outside companies to assist us in processing some confidential customer or employee information. In such a case, a cyber attack on such a company may result in access to our customers' or employees' information. We are also vulnerable, including to regulatory penalties, where an outside company fails to comply with legal requirements relevant to its work on our behalf. We may in any such circumstance suffer financial losses, legal consequences and injury to our reputation. Even if the other company makes us whole for financial losses, which is not necessarily the case, it is unlikely that it would be able to restore any injury to our reputation. As a result, the use of third parties to assist in our business activities heightens the risks to us inherent in those activities.

**Other Key Risks**

***We are at risk for the impact of adverse results in legal proceedings.***

Many aspects of our business involve substantial risk of legal liability. We have been named or threatened to be named as defendants in various lawsuits arising from our business activities. In addition, we are regularly the subject of governmental investigations and other forms of regulatory inquiry. We also are at risk when we have agreed to indemnify others for losses related to legal proceedings they face, such as in connection with the sale of a business or assets by us. The results of these legal proceedings could lead to significant monetary damages or penalties, restrictions on the way in which we conduct our business, or reputational harm.

Although we establish accruals for legal proceedings when information related to the loss contingencies represented by those matters indicates both that a loss is probable and that the amount of loss can be reasonably estimated, we do not have accruals for all legal proceedings where we face a risk of loss. In addition, due to the inherent subjectivity of the assessments and unpredictability of the outcome of legal proceedings, amounts accrued often do not represent the ultimate loss to us from the legal proceedings in question. Thus, our ultimate future losses may be higher, and possibly significantly so, than the amounts accrued for legal loss contingencies. We discuss further the unpredictability of legal proceedings and describe certain of our pending legal proceedings in Note 19 Legal Proceedings in the Notes To Consolidated Financial Statements in Item 8 of this Report.

***As a result of our substantial minority equity interest in BlackRock, a publicly traded company, its business operations and financial performance can adversely affect PNC and our results.***

Our investment in BlackRock represents a significant investment for PNC and contributes both income (through equity method accounting) and cash inflows (through dividends) to PNC. See Note 22 Segment Reporting in the Notes To Consolidated Financial Statements in Item 8 of this Report. In 2019, BlackRock contributed 15% of our net income. The value of our investment in BlackRock and its contribution to our financial results are vulnerable to poor financial performance or other issues at BlackRock affecting its business. In addition, we rely on BlackRock for its financial results that, as discussed above, are included in our financial statements. BlackRock is responsible for, and has control over, the preparation of its financial statements and its internal controls over financial reporting. PNC may be impacted by factors such as poor performance or other issues, as well as by financial reporting control failures, at BlackRock, with the extent of the impact on us and our financial results depending on the severity of the issue at BlackRock.

BlackRock is a public company that files separately with the SEC. In its filings with the SEC, BlackRock provides disclosure as to its business, including disclosure regarding its views as to the drivers of its financial performance and the most significant risks it faces. Its SEC filings also include certifications and disclosure regarding internal controls over financial reporting and disclosure controls.

***We grow our business in part by acquiring other financial services businesses from time to time. Sometimes these are businesses with technologies or other assets valuable to us even if they do not themselves provide financial services to customers. These acquisitions present a number of risks and uncertainties related both to the acquisition transactions themselves and to the integration of the acquired businesses into PNC after closing.***

Acquisitions of other companies or of financial assets and related deposits and other liabilities present risks and uncertainties to us in addition to those presented by the nature of the business acquired.

Acquisitions may be substantially more expensive or take longer to complete than anticipated. This risk includes unanticipated costs incurred in connection with the integration of the acquired business. Anticipated benefits (such as cost savings from synergies or strategic gains from being able to offer enhanced product sets) may take longer or require greater resources to achieve. In some cases, it may prove impossible to realize them in their entirety. The success of an acquisition generally is at least partially dependent on our ability to retain and expand upon the acquired company's customer base. It is also frequently subject to risks related to human capital, including, if being retained, the quality of leadership of the acquired company.

Specific factors that can affect the ultimate results from acquisitions include, depending on the nature of the business acquired, the following:

- If the acquisition includes loan portfolios, the extent of credit losses following completion of the acquisition.
- If a significant aspect of the value of an acquired business is intellectual property, the extent to which the intellectual property may be protected and commercialized by PNC following the acquisition.
- If the acquisition involves entering into new businesses or geographic or other markets, potential limitations on our ability to take advantage of these opportunities as a result of our inexperience with respect to them.
- The results of litigation and governmental investigations that may be pending at the time of the acquisition or be filed or commenced thereafter, as a result of an acquisition or otherwise. It is often hard to predict the results of such legal proceedings. It may also be hard to anticipate what legal proceedings may be started following an acquisition.

Our ability to analyze the risks presented by prospective acquisitions, as well as our ability to prepare in advance of closing for integration, depends, in part, on the information we can gather with respect to the business we are acquiring. We may not have access to all of the information that would be desirable. Our pre-acquisition review of the business also impacts our ability to prepare for and execute on the integration of an acquired business. An acquired company's financial and business information and data may not be maintained at the level of detail or comprehensiveness to meet all of our post-acquisition needs.

Our ability to pursue or complete attractive acquisition opportunities could be negatively impacted by regulatory issues, including delays in obtaining required approvals. Our ability to make large acquisitions in the future may be negatively impacted as well by regulatory rules or future regulatory initiatives designed to limit systemic risk and the potential for a financial institution to become "too big to fail."

***Our business and financial performance could be adversely affected, directly or indirectly, by disasters, natural or otherwise, by terrorist activities or by international hostilities.***

Neither the occurrence nor the potential impact of disasters (whether caused naturally or by human conduct), pandemics, terrorist activities and international hostilities can be predicted. However, these occurrences could adversely impact us, for example, by causing significant damage to our facilities or preventing us from conducting our business in the ordinary course. Also, their impact on our borrowers, depositors, other customers, suppliers or other counterparties could result in indirect adverse effects on us. Other indirect adverse consequences from disasters, pandemics, terrorist activities or international hostilities could result from impacts to the financial markets, the economy in general or in any particular region, or key parts of the infrastructure (such as the power grid) on which we and our customers rely. These types of indirect effects, whether specific to our counterparties or more generally applicable, could lead, for example, to an increase in delinquencies, bankruptcies or defaults that could result in our experiencing higher levels of nonperforming assets, net charge-offs and provisions for credit losses. They could also cause a reduction in demand for lending or other services that we provide. To the extent that climate change increases the frequency or severity of adverse weather conditions, the impact from these types of natural disasters on us or our customers would be worse.

Our ability to mitigate the adverse consequences of such occurrences is in part dependent on the quality of our resiliency planning. This includes our ability to anticipate the nature of any such event that might occur. The adverse impact of disasters, pandemics, terrorist activities or international hostilities also could be increased to the extent that there is a lack of preparedness on the part of national or regional emergency responders or on the part of other organizations and businesses that we deal with, many of which we depend on but have limited or no control over.

## ITEM 1B – UNRESOLVED STAFF COMMENTS

There are no SEC staff comments regarding PNC's periodic or current reports under the Exchange Act that are pending resolution.

## ITEM 2 – PROPERTIES

Our executive and primary administrative offices are currently located at The Tower at PNC Plaza, Pittsburgh, Pennsylvania. The 33-story structure is owned by PNC Bank, National Association.

We own or lease numerous other premises for use in conducting business activities, including operations centers, offices, and branches and other facilities. We consider the facilities owned or occupied under lease by our subsidiaries to be adequate for the purposes of our business operations. We include here by reference the additional information regarding our properties in Note 8 Premises, Equipment and Leasehold Improvements and Note 24 Leases in the Notes To Consolidated Financial Statements in Item 8 of this Report.

## ITEM 3 – LEGAL PROCEEDINGS

See the information set forth in Note 19 Legal Proceedings in the Notes To Consolidated Financial Statements in Item 8 of this Report, which is incorporated here by reference.

## ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable

## INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Information regarding each of our executive officers as of February 21, 2020 is set forth below. Executive officers do not have a stated term of office. Each executive officer has held the position or positions indicated or another executive position with the same entity or one of its affiliates for the past five years unless otherwise indicated below.

| Name | Age | Position with PNC | Year Employed (a) |
|---|---|---|---|
| William S. Demchak | 57 | Chairman, President and Chief Executive Officer (b) | 2002 |
| Michael J. Hannon | 63 | Executive Vice President and Chief Credit Officer | 1982 |
| Vicki C. Henn | 51 | Executive Vice President and Chief Human Resources Officer | 1994 |
| Gregory B. Jordan | 60 | Executive Vice President, General Counsel and Chief Administrative Officer | 2013 |
| Stacy M. Juchno | 44 | Executive Vice President and General Auditor | 2009 |
| Karen L. Larrimer | 57 | Executive Vice President, Chief Customer Officer and Head of Retail Banking | 1995 |
| Michael P. Lyons | 49 | Executive Vice President, Head of Corporate & Institutional Banking and Head of Asset Management Group | 2011 |
| E William Parsley, III | 54 | Executive Vice President and Chief Operating Officer | 2003 |
| Robert Q. Reilly | 55 | Executive Vice President and Chief Financial Officer | 1987 |
| Joseph E. Rockey | 55 | Executive Vice President and Chief Risk Officer | 1999 |
| Steven Van Wyk | 61 | Executive Vice President and Head of Technology and Innovation | 2013 |
| Gregory H. Kozich | 56 | Senior Vice President and Controller | 2010 |

(a) Where applicable, refers to year employed by predecessor company.
(b) Mr. Demchak also serves as a director. Biographical information for Mr. Demchak is included in "Election of Directors (Item 1)" in our proxy statement for the 2020 annual meeting of shareholders. See Item 10 of this Report.

Michael J. Hannon has served as Executive Vice President since 2009, prior to which he was a Senior Vice President. He has served as Chief Credit Officer since 2001 and was Interim Chief Risk Officer from December 2011 to February 2012.

Vicki C. Henn has served as Executive Vice President and Chief Human Resources Officer of PNC since July 2014. Ms. Henn joined PNC in 1994 and has held numerous management positions. Prior to being named to her current position, Ms. Henn was a Senior Vice President, responsible for Human Resources for Retail Banking.

Gregory B. Jordan joined PNC in 2013 as Executive Vice President, General Counsel and Head of Regulatory and Government Affairs. In February 2016, Mr. Jordan was also appointed Chief Administrative Officer. Prior to joining PNC, he served as the Global Managing Partner for the last 13 years of his 29 year tenure at Reed Smith LLP.

Stacy M. Juchno has served as Executive Vice President and General Auditor of PNC since April 2014 and previously served as Senior Vice President and Finance Governance and Oversight Director.

Karen L. Larrimer was appointed Executive Vice President in 2013 and became head of PNC's Retail Banking in 2016. She has also served as Chief Customer Officer since April 2014, prior to which she served as Chief Marketing Officer.

Michael P. Lyons has been an Executive Vice President since 2011 and is head of PNC's Corporate & Institutional Banking and Asset Management Group. Prior to joining PNC in October 2011, from May 2010 until October 2011, Mr. Lyons was head of corporate development and strategic planning for Bank of America.

E William Parsley, III has served as Executive Vice President since 2009 and was appointed Chief Operating Officer in February 2018. Previously, he served as Treasurer and Chief Investment Officer since 2004 and head of Consumer Lending since the spring of 2016.

Robert Q. Reilly was appointed Chief Financial Officer in 2013. He served as the head of PNC's Asset Management Group from 2005 until April 2013. Previously, he held numerous management roles in both Corporate Banking and Asset Management. He was appointed Executive Vice President in 2009.

Joseph E. Rockey was appointed Executive Vice President and Chief Risk Officer in January 2015. Prior to his appointment, Mr. Rockey led enterprise risk management and the Basel office within PNC's risk management organization.

Steven Van Wyk joined PNC as Head of Technology and Operations in 2013 and was appointed Head of Technology and Innovation in April 2017. He was appointed Executive Vice President of PNC in 2013. From 2007 until joining PNC, Mr. Van Wyk served as Global Chief Operating Officer for ING.

Gregory H. Kozich has served as Controller of PNC since 2011. He was appointed as Senior Vice President in 2010. Prior to joining PNC in 2010, Mr. Kozich was with the Federal National Mortgage Association from 2005 until late 2010, most recently serving as its corporate controller.

# PART II

## ITEM 5 – MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the New York Stock Exchange and is traded under the symbol "PNC." At the close of business on February 14, 2020, there were 51,186 common shareholders of record.

Holders of PNC common stock are entitled to receive dividends when declared by our Board of Directors out of funds legally available for this purpose. Our Board of Directors may not pay or set apart dividends on the common stock until dividends for all past dividend periods on any series of outstanding preferred stock and certain outstanding capital securities issued by the parent company have been paid or declared and set apart for payment. The Board of Directors presently intends to continue the policy of paying quarterly cash dividends. The amount of any future dividends will depend on economic and market conditions, our financial condition and operating results, and other factors, including contractual restrictions and applicable government regulations and policies (such as those relating to the ability of bank and non-bank subsidiaries to pay dividends to the parent company and regulatory capital limitations). The amount of our dividend is also currently subject to the results of the supervisory assessment of capital adequacy and capital planning processes undertaken by the Federal Reserve and our primary bank regulators as part of the Comprehensive Capital Analysis and Review (CCAR) process as described in the Supervision and Regulation section in Item 1 of this Report.

The Federal Reserve has the power to prohibit us from paying dividends without its approval. For further information concerning dividend restrictions and other factors that could limit our ability to pay dividends, as well as restrictions on loans, dividends or advances from bank subsidiaries to the parent company, see the Supervision and Regulation section in Item 1, Item 1A Risk Factors, the Liquidity and Capital Management portion of the Risk Management section in Item 7, and Note 10 Borrowed Funds, Note 15 Equity and Note 18 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of this Report, which we include here by reference.

We include here by reference the information regarding our compensation plans under which PNC equity securities are authorized for issuance as of December 31, 2019 in the table (with introductory paragraph and notes) in Item 12 of this Report.

Our stock transfer agent and registrar is:
Computershare
462 South 4th Street, Suite 1600
Louisville, KY 40202
800-982-7652
www.computershare.com/pnc

Registered shareholders may contact Computershare regarding dividends and other shareholder services.

We include here by reference the information that appears under the Common Stock Performance Graph caption at the end of this Item 5.

**Unregistered Sales of Equity Securities**

None.

**Equity Security Repurchases**

Details of our repurchases of PNC common stock during the fourth quarter of 2019 are included in the following table:

In thousands, except per share data

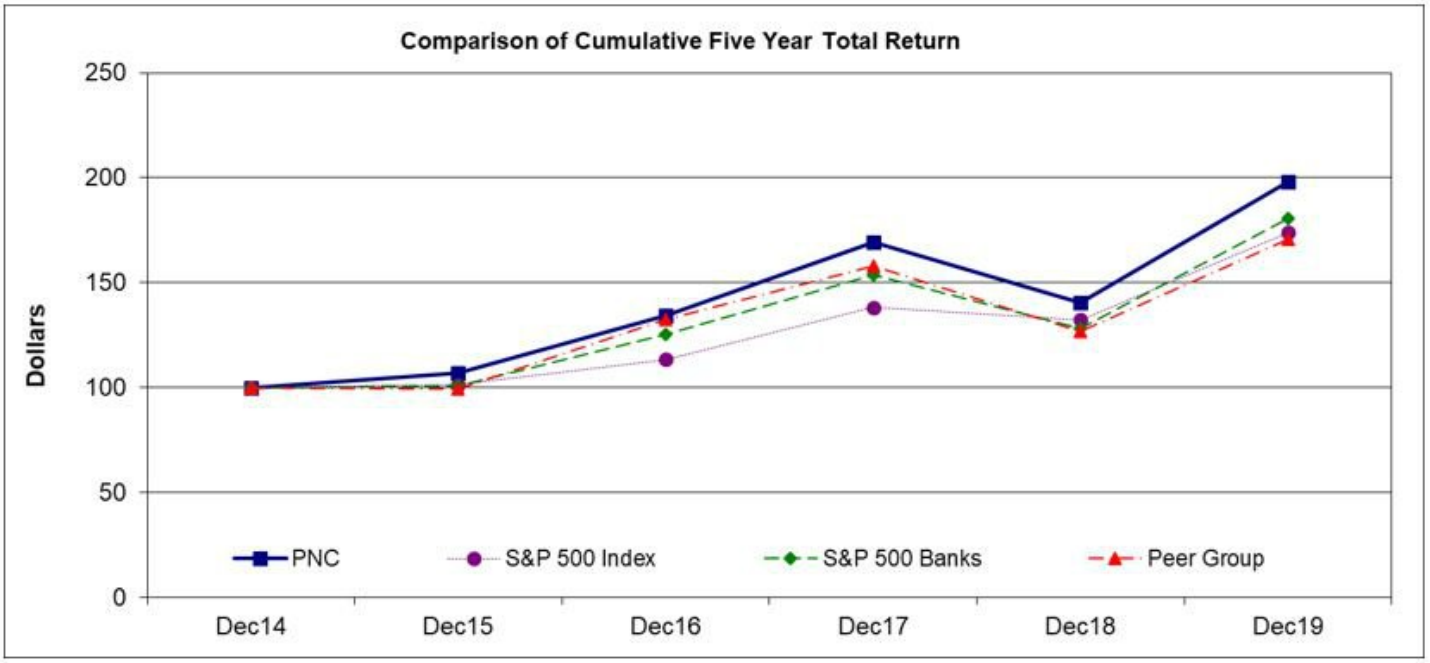
| 2019 period | Total shares purchased (a) | Average price paid per share | Total shares purchased as part of publicly announced programs (b) | Maximum number of shares that may yet be purchased under the programs (b) |
|---|---|---|---|---|
| October 1 – 31 | 2,774 | $ 142.77 | 2,764 | 89,778 |
| November 1 – 30 | 1,768 | $ 151.74 | 1,768 | 88,010 |
| December 1 – 31 | 1,918 | $ 156.46 | 1,918 | 86,092 |
| Total | 6,460 | $ 149.29 | 6,450 | |

(a) Includes PNC common stock purchased in connection with our various employee benefit plans generally related to forfeitures of unvested restricted stock awards and shares used to cover employee payroll tax withholding requirements. Note 11 Employee Benefit Plans and Note 12 Stock Based Compensation Plans in the Notes To Consolidated Financial Statements in Item 8 of this Report include additional information regarding our employee benefit and equity compensation plans that use PNC common stock.

(b) On April 4, 2019, our Board of Directors approved the establishment of a new stock repurchase program authorization in the amount of 100 million shares of PNC common stock, effective July 1, 2019. The previous 2015 authorization was terminated as of end of day on June 30, 2019. Under this authorization, repurchases may be made in open market or privately negotiated transactions, with the timing and exact amount of common stock repurchases depending on a number of factors including, among others, market and general economic conditions, regulatory capital considerations, alternative uses of capital, the potential impact on our credit ratings, and contractual and regulatory limitations, including the results of the supervisory assessment of capital adequacy and capital planning processes undertaken by the Federal Reserve as part of the CCAR process. In June 2019, we announced share repurchase programs of up to $4.3 billion for the four quarter period beginning with the third quarter of 2019, in accordance with PNC's 2019 capital plan. In January 2020, we announced an increase to these programs to repurchase up to an additional $1.0 billion in common shares through the end of the second quarter of 2020. The aggregate price of shares repurchased during the fourth quarter of 2019 was $1.0 billion. See the Liquidity and Capital Management portion of the Risk Management section in Item 7 of this Report for more information on the authorized share repurchase programs for the period July 1, 2019 through June 30, 2020.

## Common Stock Performance Graph

This graph shows the cumulative total shareholder return (*i.e.*, price change plus reinvestment of dividends) on our common stock during the five-year period ended December 31, 2019, as compared with: (1) a selected peer group as set forth below and referred to as the "Peer Group;" (2) an overall stock market index, the S&P 500 Index; and (3) a published industry index, the S&P 500 Banks. The yearly points marked on the horizontal axis of the graph correspond to December 31 of each year. The stock performance graph assumes that $100 was invested on January 1, 2015 for the five-year period and that dividends were reinvested. The table below the graph shows the resultant compound annual growth rate for the performance period.




| | Base Period | Assumes $100 investment at Close of Market on December 31, 2014 Total Return = Price change plus reinvestment of dividends | | | | | 5-Year Compound Growth Rate |
|---|---|---|---|---|---|---|---|
| | Dec. 2014 | Dec. 2015 | Dec. 2016 | Dec. 2017 | Dec. 2018 | Dec. 2019 | |
| PNC | $ 100 | $ 106.81 | $ 134.34 | $ 169.22 | $ 140.49 | $ 197.94 | 14.63% |
| S&P 500 Index | $ 100 | $ 101.37 | $ 113.49 | $ 138.26 | $ 132.19 | $ 173.80 | 11.69% |
| S&P 500 Banks | $ 100 | $ 100.85 | $ 125.36 | $ 153.64 | $ 128.38 | $ 180.55 | 12.54% |
| Peer Group | $ 100 | $ 99.30 | $ 132.37 | $ 157.91 | $ 126.57 | $ 170.67 | 11.28% |

The Peer Group for the preceding chart and table consists of the following companies: Bank of America Corporation; Capital One Financial Corporation; Citizens Financial Group, Inc.; Fifth Third Bancorp; JPMorgan Chase & Co.; KeyCorp; M&T Bank Corporation; Regions Financial Corporation; The PNC Financial Services Group, Inc.; Truist Financial Corporation; U.S. Bancorp;

and Wells Fargo & Company. Originally, the Peer Group also included both SunTrust Banks, Inc. and BB&T Corporation. These entities merged to create Truist Financial Corporation on December 6, 2019. BB&T Corporation was the surviving entity in the merger, thus data used to produce the preceding chart and table reflects historical BB&T Corporation data for Truist Financial Corporation. Historical data for SunTrust Banks, Inc. is not included as a part of Truist Financial Corporation in the preceding chart and table. This Peer Group was approved for 2019 by the Board of Directors' Personnel and Compensation Committee, and the Committee has approved the same peer group for 2020.

Each yearly point for the Peer Group is determined by calculating the cumulative total shareholder return for each company in the Peer Group from December 31, 2014 to December 31 of that year (End of Month Dividend Reinvestment Assumed) and then using the median of these returns as the yearly plot point.

In accordance with the rules of the SEC, this section, captioned "Common Stock Performance Graph," is not incorporated by reference into any of our future filings made under the Securities Exchange Act of 1934 or the Securities Act of 1933. The Common Stock Performance Graph, including its accompanying table and footnotes, is not deemed to be soliciting material or to be filed under the Exchange Act or the Securities Act.

## ITEM 6 – SELECTED FINANCIAL DATA

This Selected Financial Data should be reviewed in conjunction with the Consolidated Financial Statements and Notes included in Item 8 of this Report as well as the other disclosures in this Report concerning our historical financial performance, our future prospects and the risks associated with our business and financial performance.

| | Year ended December 31 | | | | |
|---|---|---|---|---|---|
| Dollars in millions, except per share data | 2019 | 2018 | 2017 | 2016 | 2015 |
| **Summary of Operations** | | | | | |
| Interest income | $ 13,762 | $ 12,582 | $ 10,814 | $ 9,652 | $ 9,323 |
| Interest expense | 3,797 | 2,861 | 1,706 | 1,261 | 1,045 |
| Net interest income | 9,965 | 9,721 | 9,108 | 8,391 | 8,278 |
| Noninterest income | 7,862 | 7,411 | 7,221 | 6,771 | 6,947 |
| Total revenue | 17,827 | 17,132 | 16,329 | 15,162 | 15,225 |
| Provision for credit losses | 773 | 408 | 441 | 433 | 255 |
| Noninterest expense | 10,574 | 10,296 | 10,398 | 9,476 | 9,463 |
| Income before income taxes and noncontrolling interests | 6,480 | 6,428 | 5,490 | 5,253 | 5,507 |
| Income taxes | 1,062 | 1,082 | 102 | 1,268 | 1,364 |
| Net income | 5,418 | 5,346 | 5,388 | 3,985 | 4,143 |
| Less: Net income attributable to noncontrolling interests | 49 | 45 | 50 | 82 | 37 |
| Preferred stock dividends | 236 | 236 | 236 | 209 | 220 |
| Preferred stock discount accretion and redemptions | 4 | 4 | 26 | 6 | 5 |
| Net income attributable to common shareholders | $ 5,129 | $ 5,061 | $ 5,076 | $ 3,688 | $ 3,881 |
| **Per Common Share** | | | | | |
| Basic earnings | $ 11.43 | $ 10.79 | $ 10.49 | $ 7.42 | $ 7.52 |
| Diluted earnings | $ 11.39 | $ 10.71 | $ 10.36 | $ 7.30 | $ 7.39 |
| Book value | $ 104.59 | $ 95.72 | $ 91.94 | $ 85.94 | $ 81.84 |
| Cash dividends declared | $ 4.20 | $ 3.40 | $ 2.60 | $ 2.12 | $ 2.01 |
| **Effective tax rate** (a) | 16.4% | 16.8% | 1.9% | 24.1% | 24.8% |
| **Performance Ratios** | | | | | |
| Net interest margin (b) | 2.89% | 2.97% | 2.87% | 2.73% | 2.74% |
| Noninterest income to total revenue | 44% | 43% | 44% | 45% | 46% |
| Efficiency | 59% | 60% | 64% | 62% | 62% |
| Return on: | | | | | |
| Average common shareholders' equity | 11.50% | 11.83% | 12.09% | 8.85% | 9.50% |
| Average assets | 1.35% | 1.41% | 1.45% | 1.10% | 1.17% |

(a) The effective tax rates are generally lower than the statutory rate due to the relationship of pretax income to tax credits and earnings that are not subject to tax.

(b) Net interest margin is the total yield on interest-earning assets minus the total rate on interest-bearing liabilities and includes the benefit from use of noninterest-bearing sources. To provide more meaningful comparisons of net interest margins, we use net interest income on a taxable-equivalent basis in calculating average yields used in the calculation of net interest margin by increasing the interest income earned on tax-exempt assets to make it fully equivalent to interest income earned on taxable investments. This adjustment is not permitted under GAAP in the Consolidated Income Statement. For additional information, see Reconciliation of Taxable-Equivalent Net Interest Income (Non-GAAP) Statistical Information (Unaudited) in Item 8 of this Report.

| Dollars in millions, except as noted | At or for the year ended December 31 | | | | |
|---|---|---|---|---|---|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| **Balance Sheet Highlights** | | | | | |
| Assets | $ 410,295 | $ 382,315 | $ 380,768 | $ 366,380 | $ 358,493 |
| Loans | $ 239,843 | $ 226,245 | $ 220,458 | $ 210,833 | $ 206,696 |
| Allowance for loan and lease losses | $ 2,742 | $ 2,629 | $ 2,611 | $ 2,589 | $ 2,727 |
| Interest-earning deposits with banks (a) | $ 23,413 | $ 10,893 | $ 28,595 | $ 25,711 | $ 30,546 |
| Investment securities | $ 86,824 | $ 82,701 | $ 76,131 | $ 75,947 | $ 70,528 |
| Loans held for sale | $ 1,083 | $ 994 | $ 2,655 | $ 2,504 | $ 1,540 |
| Equity investments (b) | $ 13,734 | $ 12,894 | $ 11,392 | $ 10,728 | $ 10,587 |
| Mortgage servicing rights | $ 1,644 | $ 1,983 | $ 1,832 | $ 1,758 | $ 1,589 |
| Goodwill | $ 9,233 | $ 9,218 | $ 9,173 | $ 9,103 | $ 9,103 |
| Other assets | $ 32,202 | $ 34,408 | $ 27,894 | $ 27,506 | $ 26,566 |
| Noninterest-bearing deposits | $ 72,779 | $ 73,960 | $ 79,864 | $ 80,230 | $ 79,435 |
| Interest-bearing deposits | $ 215,761 | $ 193,879 | $ 185,189 | $ 176,934 | $ 169,567 |
| Total deposits | $ 288,540 | $ 267,839 | $ 265,053 | $ 257,164 | $ 249,002 |
| Borrowed funds (c) | $ 60,263 | $ 57,419 | $ 59,088 | $ 52,706 | $ 54,532 |
| Total shareholders' equity | $ 49,314 | $ 47,728 | $ 47,513 | $ 45,699 | $ 44,710 |
| Common shareholders' equity | $ 45,321 | $ 43,742 | $ 43,530 | $ 41,723 | $ 41,258 |
| Accumulated other comprehensive income (loss) | $ 799 | $ (725) | $ (148) | $ (265) | $ 130 |
| Period-end common shares outstanding (millions) | 433 | 457 | 473 | 485 | 504 |
| Loans to deposits | 83% | 84% | 83% | 82% | 83% |
| **Client Assets** (billions) | | | | | |
| Discretionary client assets under management | $ 154 | $ 148 | $ 151 | $ 137 | $ 134 |
| Nondiscretionary client assets under administration | 143 | 124 | 131 | 120 | 119 |
| Total client assets under administration | 297 | 272 | 282 | 257 | 253 |
| Brokerage account client assets | 54 | 47 | 49 | 44 | 43 |
| Total | $ 351 | $ 319 | $ 331 | $ 301 | $ 296 |
| **Capital Ratios (d) (e)** | | | | | |
| **Basel III (f)** | | | | | |
| Common equity Tier 1 | 9.5% | 9.6% | 9.8% | 10.0% | 10.0% |
| Tier 1 risk-based | 10.7% | 10.8% | N/A | N/A | N/A |
| Total capital risk-based | 12.7% | 13.0% | N/A | N/A | N/A |
| **Pro forma Basel III (Non-GAAP) (g)** | | | | | |
| Common equity Tier 1 | 10.1% | N/A | N/A | N/A | N/A |
| Tier 1 risk-based | 11.2% | N/A | N/A | N/A | N/A |
| Total capital risk-based | 13.4% | N/A | N/A | N/A | N/A |
| **Transitional Basel III** | | | | | |
| Common equity Tier I | N/A | N/A | 10.4% | 10.6% | 10.6% |
| Tier 1 risk-based capital | N/A | N/A | 11.6% | 12.0% | 12.0% |
| **Other Selected Ratios** | | | | | |
| Dividend payout | 36.7% | 31.5% | 24.7% | 29.0% | 27.0% |
| Common shareholders' equity to total assets | 11.0% | 11.4% | 11.4% | 11.4% | 11.5% |
| Average common shareholders' equity to average assets | 11.1% | 11.3% | 11.3% | 11.5% | 11.5% |
| **Selected Statistics** | | | | | |
| Employees | 51,918 | 53,063 | 52,906 | 52,006 | 52,513 |
| Retail Banking branches | 2,296 | 2,372 | 2,459 | 2,520 | 2,616 |
| ATMs | 9,091 | 9,162 | 9,051 | 9,024 | 8,956 |

(a) Includes balances held with the Federal Reserve Bank of Cleveland of $23.2 billion, $10.5 billion, $28.3 billion, $25.1 billion and $30.0 billion as of December 31, 2019, 2018, 2017, 2016 and 2015, respectively.

(b) Includes our equity investment in BlackRock.

(c) Includes long-term borrowings of $33.2 billion, $37.4 billion, $43.1 billion, $38.3 billion and $43.6 billion for 2019, 2018, 2017, 2016 and 2015, respectively. Borrowings which mature more than one year after December 31, 2019 are considered to be long-term.

(d) See capital ratios discussion in the Supervision and Regulation section of Item 1 and in the Liquidity and Capital Management portion of the Risk Management section in Item 7 of this Report for additional discussion on these capital ratios. Additional information on the 2015-2017 fully phased-in ratios and Transitional Basel III ratios is included in the Statistical Information (Unaudited) section in Item 8 of this Report.

(e) All ratios are calculated using the regulatory capital methodology applicable to PNC during each period presented, except for the 2015-2017 Basel III Common equity Tier 1 ratios, which are fully phased-in Basel III ratios and are presented as pro forma estimates. Ratios for all periods were calculated based on the standardized approach.

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(f) The 2019 and 2018 Basel III ratios for Common equity Tier 1 capital and Tier 1 risk-based capital reflect the full phase-in of all Basel III adjustments to these metrics applicable to PNC. The 2019 and 2018 Basel III Total capital risk-based ratios include nonqualifying trust preferred capital securities of $60 million and $80 million, respectively, that are subject to a phase-out period that runs through 2021.

(g) Pro forma Basel III ratios are calculated as if the 2019 Tailoring Rules, and PNC's election to opt-out of the inclusion of certain elements of accumulated other comprehensive income in regulatory capital, had been in effect on December 31, 2019. We believe that the pro forma Basel III ratios are a useful tool to assess the impact to our capital position after adoption of the 2019 Tailoring Rules.

# ITEM 7 – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (MD&A)

## Executive Summary

### Key Strategic Goals

At PNC we manage our company for the long term. We are focused on the fundamentals of growing customers, loans, deposits and revenue and improving profitability, while investing for the future and managing risk, expenses and capital. We continue to invest in our products, markets and brand, and embrace our commitments to our customers, shareholders, employees and the communities where we do business.

We strive to expand and deepen customer relationships by offering a broad range of deposit, credit and fee-based products and services. We are focused on delivering those products and services to our customers with the goal of addressing their financial objectives and putting customers' needs first. Our business model is built on customer loyalty and engagement, understanding our customers' financial goals and offering our diverse products and services to help them achieve financial well-being. Our approach is concentrated on organically growing and deepening client relationships across our businesses that meet our risk/return measures.

We are focused on our strategic priorities, which are designed to enhance value over the long term, and consist of:

- Expanding our leading banking franchise to new markets and digital platforms;
- Deepening customer relationships by delivering a superior banking experience and financial solutions; and
- Leveraging technology to innovate and enhance products, services, security and processes.

Our capital priorities are to support client growth and business investment, maintain appropriate capital in light of economic conditions, the Basel III framework and other regulatory expectations, and return excess capital to shareholders. For more detail, see the Capital Highlights portion of this Executive Summary and the Liquidity and Capital Management portion of the Risk Management section of this Item 7 and the Supervision and Regulation section in Item 1 Business of this Report.

### Key Factors Affecting Financial Performance

We face a variety of risks that may impact various aspects of our risk profile from time to time. The extent of such impacts may vary depending on factors such as the current business and economic conditions, political and regulatory environment and operational challenges. Many of these risks and our risk management strategies are described in more detail elsewhere in this Report.

Our financial performance is substantially affected by a number of external factors outside of our control, including the following:

- Global and domestic economic conditions, including the continuity and stamina of the current U.S. economic expansion;
- The monetary policy actions and statements of the Federal Reserve and the Federal Open Market Committee (FOMC);
- The level of, and direction, timing and magnitude of movement in, interest rates and the shape of the interest rate yield curve;
- The functioning and other performance of, and availability of liquidity in, U.S. and global financial markets, including capital markets;
- The impact of tariffs and other trade policies of the U.S. and its global trading partners;
- Changes in the competitive and regulatory landscape;
- The impact of legislative, regulatory and administrative initiatives and actions;
- The impact of market credit spreads on asset valuations;
- The ability of customers, counterparties and issuers to perform in accordance with contractual terms, and the resulting impact on our asset quality;
- Loan demand, utilization of credit commitments and standby letters of credit; and
- The impact on customers and changes in customer behavior due to changing business and economic conditions or regulatory or legislative initiatives.

In addition, our success will depend upon, among other things:

- Effectively managing capital and liquidity including:
    - Continuing to maintain and grow our deposit base as a low-cost stable funding source;
    - Prudent liquidity and capital management to meet evolving regulatory capital, capital planning, stress testing and liquidity standards; and
    - Actions we take within the capital and other financial markets;

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- Execution of our strategic priorities;
- Management of credit risk in our portfolio;
- Our ability to manage and implement strategic business objectives within the changing regulatory environment;
- The impact of legal and regulatory-related contingencies; and
- The appropriateness of reserves needed for critical accounting estimates and related contingencies.

For additional information, see the Cautionary Statement Regarding Forward-Looking Information section in this Item 7 and Item 1A Risk Factors in this Report.

**Income Statement Highlights**

Net income for 2019 was $5.4 billion, or $11.39 per diluted common share, an increase of 1% compared to $5.3 billion, or $10.71 per diluted common share, for 2018.

- Total revenue increased $695 million, or 4%, to $17.8 billion.
  - Net interest income increased $244 million, or 3%, to $10.0 billion.
  - Net interest margin decreased to 2.89% for 2019 compared to 2.97% for 2018.
  - Noninterest income increased $451 million, or 6%, to $7.9 billion.
- Provision for credit losses was $773 million in 2019 compared to $408 million for 2018.
- Noninterest expense increased $278 million, or 3%, to $10.6 billion.
- We generated positive operating leverage in 2019 of 1.4%.
- Earnings per diluted common share increased reflecting lower average common shares outstanding due to share repurchases, and higher net income.

For additional detail, see the Consolidated Income Statement Review section of this Item 7.

**Balance Sheet Highlights**

Our balance sheet was strong and well positioned at December 31, 2019 and 2018. In comparison to December 31, 2018:

- Total loans increased $13.6 billion, or 6%, to $239.8 billion.
  - Total commercial lending grew $8.3 billion, or 5%, to $160.6 billion.
  - Total consumer lending increased $5.3 billion, or 7%, to $79.2 billion.
- Total deposits increased $20.7 billion, or 8%, to $288.5 billion.
- Investment securities increased $4.1 billion, or 5%, to $86.8 billion.
- Interest earning deposits with banks, primarily with the Federal Reserve Bank, increased $12.5 billion to $23.4 billion.
- Borrowed funds of $60.3 billion increased $2.8 billion, or 5%.
- Shareholders' equity increased $1.6 billion, or 3%, to $49.3 billion.

For additional detail, see the Consolidated Balance Sheet Review section of this Item 7.

**Credit Quality Highlights**

Overall credit quality remained historically strong.

- At December 31, 2019 compared to December 31, 2018:
  - Nonperforming assets of $1.8 billion decreased $56 million, or 3%.
  - Overall loan delinquencies of $1.5 billion increased $19 million, or 1%.
- Net charge-offs of $642 million in 2019 increased 53% compared to net charge-offs of $420 million for 2018.
- The allowance for loan and lease losses to total loans was 1.14% at December 31, 2019 and 1.16% at December 31, 2018.

For additional detail, see the Credit Risk Management portion of the Risk Management section of this Item 7.

**Capital Highlights**

We maintained a strong capital position during 2019 and continued to return capital to shareholders.

- The Basel III common equity Tier 1 capital ratio was 9.5% at December 31, 2019 compared with 9.6% at December 31, 2018.
- In 2019, we returned $5.4 billion of capital to shareholders through repurchases of 25.9 million common shares for $3.5 billion and dividends on common shares of $1.9 billion.
- In June 2019, we announced share repurchase programs of up to $4.3 billion for the four quarter period beginning with the third quarter of 2019. In January 2020, we announced an increase to these programs of up to $1.0 billion in additional common share repurchases through the end of second quarter of 2020.
- The quarterly cash dividend on common stock was increased from $.95 to $1.15 per share effective with the August 5, 2019 dividend payment date.

Our ability to take certain capital actions, including plans to pay or increase common stock dividends or to repurchase shares under current or future programs, is subject to the results of the supervisory assessment of capital adequacy undertaken by the Federal Reserve as part of the Comprehensive Capital Analysis and Review (CCAR) process. For additional information, see the Supervision and Regulation section in Item 1 Business of this Report.

See the Liquidity and Capital Management portion of the Risk Management section of this Item 7 for more detail on our 2019 capital and liquidity actions as well as our capital ratios.

**Business Outlook**

Statements regarding our business outlook are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Our forward-looking financial statements are subject to the risk that economic and financial market conditions will be substantially different than those we are currently expecting and do not take into account potential legal and regulatory contingencies. These statements are based on our view that:

- The U.S. economy grew at a solid pace in 2019 albeit more slowly than in 2018. Economic growth is expected to slow noticeably in 2020.
- Job growth will continue in 2020, but at a slower pace from 2019 due to both difficulty in finding workers and slower economic growth. The unemployment rate is expected to remain near its current level in the near term, but the labor market will remain tight, pushing wages higher and supporting continued gains in consumer spending.
- Inflation is expected to continue to slow in the near term because of lower commodity prices associated with coronavirus. Inflation is expected to gradually increase in 2021.
- Our current baseline forecast expects the federal funds rate to remain unchanged in 2020. The federal funds rate is modestly positive for near-term economic growth in its current range of 1.50% to 1.75%.

Near-term risks are to the downside, including a further softening in the global economy, perhaps due to coronavirus; a further escalation in trade tensions; and geopolitical concerns. The federal funds rate is more likely to end 2020 below its current range than above it. But there are some upside opportunities as well, such as a comprehensive U.S.-China trade deal and stronger labor force growth.

See the Cautionary Statement Regarding Forward-Looking Information section in this Item 7 and Item 1A Risk Factors in this Report for other factors that could cause future events to differ, perhaps materially, from those anticipated in these forward-looking statements.

For information on financial results for the fourth quarter of 2019, see the Selected Quarterly Financial Data section in the Statistical Information (Unaudited) section of Item 8 of this Report.

For full year 2020, compared to full year 2019 where appropriate, we expect:

- Average loan growth to be between 4% and 5%;
- Revenue growth on the low end of low-single digits, on a percentage basis, including approximately 1% of net interest income growth;
- Noninterest expense to remain stable;
- The effective tax rate to be approximately 17.5%; and
- To generate positive operating leverage of approximately 1% in 2020.

For the first quarter of 2020, compared to the fourth quarter of 2019 where appropriate, we expect:

- Average loans to be up approximately 1%;
- Net interest income to decline approximately 2%, reflecting the first quarter of 2020 decline in interest rates as well as one less day in the quarter;
- Fee income to be down approximately 6%, which includes the impact of a charitable contribution by BlackRock as previously announced in its Form 8-K filed on February 13, 2020. Fee income consists of asset management, consumer services, corporate services, residential mortgage and service charges on deposits;
- Other noninterest income to be between $300 million and $350 million, excluding net securities gains and activities related to Visa Class B common shares;
- Noninterest expense to be down in the mid-single digit range, on a percentage basis; and
- Provision for credit losses to be between $225 million and $300 million.

## Consolidated Income Statement Review

Our Consolidated Income Statement is presented in Item 8 of this Report. For additional detail of the comparison of 2018 over 2017, see Item 7 of our 2018 Form 10-K.

Net income for 2019 was $5.4 billion, or $11.39 per diluted common share, an increase of $72 million or 1% compared with $5.3 billion, or $10.71 per diluted common share, for 2018. The increase was driven by higher noninterest income and net interest income, partially offset by increases in provision for credit losses and noninterest expense.

### Net Interest Income

***Table 1: Summarized Average Balances and Net Interest Income (a)***

| Year ended December 31<br>Dollars in millions | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Average Balances | Average Yields/ Rates | Interest Income/ Expense | Average Balances | Average Yields/ Rates | Interest Income/ Expense |
| **Assets** | | | | | | |
| Interest-earning assets | | | | | | |
| Investment securities | $ 83,666 | 2.93% | $ 2,450 | $ 78,784 | 2.91% | $ 2,289 |
| Loans | 235,016 | 4.51% | 10,604 | 223,278 | 4.33% | 9,667 |
| Interest-earning deposits with banks | 16,878 | 2.09% | 353 | 20,603 | 1.84% | 379 |
| Other | 12,425 | 3.69% | 458 | 8,093 | 4.47% | 362 |
| Total interest-earning assets/interest income | $ 347,985 | 3.98% | 13,865 | $ 330,758 | 3.84% | 12,697 |
| **Liabilities** | | | | | | |
| Interest-bearing liabilities | | | | | | |
| Interest-bearing deposits | $ 204,588 | .97% | 1,986 | $ 186,361 | .66% | 1,229 |
| Borrowed funds | 61,528 | 2.94% | 1,811 | 59,306 | 2.75% | 1,632 |
| Total interest-bearing liabilities/interest expense | $ 266,116 | 1.43% | 3,797 | $ 245,667 | 1.16% | 2,861 |
| Net interest income/margin (Non-GAAP) | | 2.89% | 10,068 | | 2.97% | 9,836 |
| Taxable-equivalent adjustments | | | (103) | | | (115) |
| Net interest income (GAAP) | | | $ 9,965 | | | $ 9,721 |

(a) Interest income calculated as taxable-equivalent interest income. To provide more meaningful comparisons of interest income and yields for all interest-earning assets, as well as net interest margins, we use interest income on a taxable-equivalent basis in calculating average yields and net interest margins by increasing the interest income earned on tax-exempt assets to make it fully equivalent to interest income earned on taxable investments. This adjustment is not permitted under GAAP on the Consolidated Income Statement. For more information, see Reconciliation of Taxable-Equivalent Net Interest Income (Non-GAAP) in the Statistical Information (Unaudited) section in Item 8 of this Report.

Changes in net interest income and margin result from the interaction of the volume and composition of interest-earning assets and related yields, interest-bearing liabilities and related rates paid, and noninterest-bearing sources of funding. See the Statistical Information (Unaudited) – Average Consolidated Balance Sheet And Net Interest Analysis and Analysis Of Year-To-Year Changes In Net Interest Income in Item 8 of this Report.

Net interest income increased $244 million, or 3%, in 2019 compared with 2018 as higher loan and securities yields and balances were partially offset by higher funding costs. Net interest margin of 2.89% decreased 8 basis points in 2019 compared to 2018, driven by the declining rate environment in 2019.

Average investment securities increased $4.9 billion, or 6%, reflecting net purchases of agency residential mortgage-backed securities of $4.1 billion, U.S. Treasury and government agency securities of $1.3 billion and commercial mortgage-backed securities of $.9 billion, partially offset by decreases of $.9 billion to other securities, $.4 billion to non-agency residential mortgage backed securities and $.1 billion to asset-backed securities . Average investment securities represented 24% of average interest-earning assets in both 2019 and 2018.

Average loans grew $11.7 billion, or 5%, driven by commercial and consumer lending growth. Average commercial lending increased $9.3 billion, or 6%, to $159.3 billion reflecting strong growth in our Corporate Banking and Business Credit businesses in our Corporate & Institutional Banking segment. Average consumer lending increased $2.4 billion, or 3%, to $75.7 billion as growth in residential real estate, auto, credit card and unsecured installment loans was partially offset by declines in home equity and education loans. Lower home equity loans reflected paydowns and payoffs that exceeded new originated volume and continued runoff of brokered home equity loans. Additionally, government guaranteed education loans continued to run off. Average loans represented 68% of average interest-earning assets in both 2019 and 2018.

Average interest-bearing deposits grew $18.2 billion, or 10%, reflecting overall deposit and customer growth. The increase included a shift from noninterest-bearing deposits, which declined $4.1 billion, or 5%, to interest-bearing deposits. Within average interest-

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bearing deposits, average savings deposits increased $11.0 billion, due in part to a shift to relationship-based savings products from money market deposits, which decreased $.8 billion, and to growth from the retail national expansion strategy. Additionally, average interest-bearing demand deposits grew $5.1 billion and average time deposits grew $2.9 billion. Average interest-bearing deposits represented 77% of average interest-bearing liabilities in 2019 compared to 76% in 2018.

Further details regarding average loans and deposits are included in the Business Segments Review section of this Item 7.

Average borrowed funds increased $2.2 billion, or 4%, primarily due to higher federal funds purchased of $2.1 billion and Federal Home Loan Bank (FHLB) borrowings of $1.3 billion, partially offset by a decline in bank notes and senior debt of $1.1 billion. See the Consolidated Balance Sheet Review portion of this Item 7 for additional detail on the level and composition of borrowed funds.

## Noninterest Income

***Table 2: Noninterest Income***

| Year ended December 31 | | | Change | |
|---|---|---|---|---|
| Dollars in millions | 2019 | 2018 | $ | % |
| Noninterest income | | | | |
| Asset management | $ 1,850 | $ 1,825 | $ 25 | 1 % |
| Consumer services | 1,555 | 1,502 | 53 | 4 % |
| Corporate services | 1,914 | 1,849 | 65 | 4 % |
| Residential mortgage | 368 | 316 | 52 | 16 % |
| Service charges on deposits | 702 | 714 | (12) | (2)% |
| Other | 1,473 | 1,205 | 268 | 22 % |
| Total noninterest income | $ 7,862 | $ 7,411 | $ 451 | 6 % |

Noninterest income as a percentage of total revenue was 44% for 2019 and 43% for 2018.

Asset management revenue increased driven by higher earnings from our equity investment in BlackRock. Increases in the average equity markets also contributed to revenue growth in 2019. These increases were partially offset by lower asset management fees related to the sales of businesses and the impact of lower yielding assets under management. PNC's discretionary client assets under management increased to $154 billion at December 31, 2019 compared with $148 billion at December 31, 2018 primarily attributable to higher equity markets partially offset by the impact of the sales of businesses.

Consumer services revenue increased primarily due to growth in debit and credit card fees, net of rewards, and higher brokerage fees, reflecting continued momentum in both transaction activity and customer growth.

Growth in corporate services revenue reflected broad-based increases, including higher treasury management product revenue, partially offset by a decline in loan syndication revenue.

Residential mortgage revenue increased due to a higher benefit from residential mortgage servicing rights valuation, net of economic hedge, and higher loan sales revenue driven by increased loan origination volume.

Service charges on deposits declined, reflecting our ongoing efforts to simplify products and reduce transaction fees for our customers.

Other noninterest income increased due to higher gains on asset sales, including gains on sales of the retirement recordkeeping business and components of the PNC Capital Advisors investment management business, including its PNC family of proprietary mutual funds, and higher net securities gains. In addition, revenue from private equity investments and capital markets-related revenue increased. These increases were partially offset by negative derivative fair value adjustments related to Visa Class B common shares.

Other noninterest income typically fluctuates from period to period depending on the nature and magnitude of transactions completed. Further details regarding our customer-related trading activities are included in the Market Risk Management – Customer-Related Trading Risk portion of the Risk Management section of this Item 7. Further details regarding private and other equity investments are included in the Market Risk Management – Equity and Other Investment Risk section, and further details regarding gains or losses related to our equity investment in BlackRock are included in the Business Segments Review section of this Item 7.

## Provision for Credit Losses

The provision for credit losses was $773 million in 2019 compared to $408 million in 2018 driven by increases in both commercial and consumer. The commercial provision increase was driven by loan growth and reserves attributed to certain commercial credits.

The increase in the consumer provision was primarily a result of higher auto loan and credit card reserves due to loan growth and portfolio losses, and higher reserves for unsecured installment loans partially offset by a lower provision for home equity loans.

The Credit Risk Management portion of the Risk Management section of this Item 7 includes additional information regarding factors impacting the provision for credit losses.

## Noninterest Expense

***Table 3: Noninterest Expense***

| Year ended December 31 | | | Change | |
|---|---|---|---|---|
| Dollars in millions | 2019 | 2018 | $ | % |
| Noninterest expense | | | | |
| Personnel | $ 5,647 | $ 5,471 | $ 176 | 3 % |
| Occupancy | 834 | 818 | 16 | 2 % |
| Equipment | 1,210 | 1,103 | 107 | 10 % |
| Marketing | 301 | 285 | 16 | 6 % |
| Other | 2,582 | 2,619 | (37) | (1)% |
| Total noninterest expense | $ 10,574 | $ 10,296 | $ 278 | 3 % |

Noninterest expense increased reflecting continued investments in our strategies, technology and employees. The increase in personnel expense was driven by business growth and higher benefits expense including a year-end employee award of an additional contribution to health savings accounts. Equipment expense increased reflecting primarily technology-related write-offs, including for decommissioned compliance and regulatory software that resulted from the 2019 Tailoring Rules. Other expense decreased primarily as a result of lower Federal Deposit Insurance Corporation (FDIC) deposit insurance cost from the elimination of the surcharge assessment.

During 2019, we completed actions and achieved our 2019 continuous improvement program savings goal of $300 million. In 2020, our goal will once again be $300 million in cost savings, which we expect to contribute to the funding of our business and technology investments.

## Effective Income Tax Rate

The effective income tax rate was 16.4% for 2019 compared with 16.8% for 2018.

The effective tax rate is generally lower than the statutory rate primarily due to tax credits we receive from our investments in low income housing and new markets investments, as well as earnings on other tax exempt investments.

Additional information regarding our effective tax rate is included in the Reconciliation of Statutory and Effective Tax Rates table in Note 17 Income Taxes in Item 8 of this Report.

## Consolidated Balance Sheet Review

***Table 4: Summarized Balance Sheet Data***

| Dollars in millions | December 31 2019 | December 31 2018 | Change $ | Change % |
|---|---|---|---|---|
| Assets | | | | |
| Interest-earning deposits with banks | $ 23,413 | $ 10,893 | $ 12,520 | 115 % |
| Loans held for sale | 1,083 | 994 | 89 | 9 % |
| Investment securities | 86,824 | 82,701 | 4,123 | 5 % |
| Loans | 239,843 | 226,245 | 13,598 | 6 % |
| Allowance for loan and lease losses | (2,742) | (2,629) | (113) | (4)% |
| Mortgage servicing rights | 1,644 | 1,983 | (339) | (17)% |
| Goodwill | 9,233 | 9,218 | 15 | — |
| Other, net | 50,997 | 52,910 | (1,913) | (4)% |
| Total assets | $ 410,295 | $ 382,315 | $ 27,980 | 7 % |
| Liabilities | | | | |
| Deposits | $ 288,540 | $ 267,839 | $ 20,701 | 8 % |
| Borrowed funds | 60,263 | 57,419 | 2,844 | 5 % |
| Other | 12,149 | 9,287 | 2,862 | 31 % |
| Total liabilities | 360,952 | 334,545 | 26,407 | 8 % |
| Equity | | | | |
| Total shareholders' equity | 49,314 | 47,728 | 1,586 | 3 % |
| Noncontrolling interests | 29 | 42 | (13) | (31)% |
| Total equity | 49,343 | 47,770 | 1,573 | 3 % |
| Total liabilities and equity | $ 410,295 | $ 382,315 | $ 27,980 | 7 % |

The summarized balance sheet data in Table 4 is based upon our Consolidated Balance Sheet in Item 8 of this Report. For additional detail of the comparison of 2018 over 2017, see Item 7 of our 2018 Form 10-K.

Our balance sheet at December 31, 2019 increased compared to December 31, 2018 and we maintained strong capital and liquidity positions.

- Total assets increased as a result of loan growth, higher interest-earning deposits with banks and higher investment securities;
- Total liabilities increased due to deposit growth and higher borrowed funds;
- Total equity increased due to higher retained earnings driven by net income substantially offset by share repurchases and common and preferred dividends and as a result of higher accumulated other comprehensive income (AOCI).

The following discussion provides additional information about the major components of our balance sheet. Information regarding our capital and regulatory compliance is included in the Liquidity and Capital Management portion of the Risk Management section of this Item 7 and in Note 18 Regulatory Matters in our Notes To Consolidated Financial Statements included in this Report.

### Loans

***Table 5: Loans***

| Dollars in millions | December 31 2019 | December 31 2018 | Change $ | Change % |
|---|---|---|---|---|
| Commercial lending | | | | |
| Commercial | $ 125,337 | $ 116,834 | $ 8,503 | 7 % |
| Commercial real estate | 28,110 | 28,140 | (30) | — |
| Equipment lease financing | 7,155 | 7,308 | (153) | (2)% |
| Total commercial lending | 160,602 | 152,282 | 8,320 | 5 % |
| Consumer lending | | | | |
| Home equity | 25,085 | 26,123 | (1,038) | (4)% |
| Residential real estate | 21,821 | 18,657 | 3,164 | 17 % |
| Automobile | 16,754 | 14,419 | 2,335 | 16 % |
| Credit card | 7,308 | 6,357 | 951 | 15 % |
| Education | 3,336 | 3,822 | (486) | (13)% |
| Other consumer | 4,937 | 4,585 | 352 | 8 % |
| Total consumer lending | 79,241 | 73,963 | 5,278 | 7 % |
| Total loans | $ 239,843 | $ 226,245 | $ 13,598 | 6 % |

Loans at December 31, 2019 reflected growth in both commercial and consumer lending compared to December 31, 2018.

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Commercial lending increased reflecting growth in our Corporate Banking and Business Credit businesses within our Corporate & Institutional Banking segment. In Corporate Banking, commercial loan growth was broad-based primarily driven by higher asset-backed financing as well as increased lending to large and mid-sized corporate clients. In Business Credit, commercial loans increased as a result of net new originations and higher overall utilization.

For commercial loans by industry and commercial real estate loans by geography and property type, see Loan Portfolio Characteristics and Analysis in the Credit Risk Management portion of the Risk Management section in this Item 7.

Consumer lending increased as growth in residential real estate, auto, credit card and other consumer loans was partially offset by lower home equity and education loans.

Residential real estate loans increased primarily from originations of nonconforming loans, which are loans that do not meet agency standards as a result of exceeding agency conforming loan limits. The growth in auto loans reflected higher indirect auto loans from new loan originations and expansion into franchised dealers in new markets as well as growth in direct auto loans. Credit card balances increased as we continued to focus on our long-term objective of deepening penetration within our existing customer base as well as new client acquisitions. Other consumer loans increased due to unsecured installment loans driven by growth outside of our retail branch network and product enhancements.

Home equity loans declined as paydowns and payoffs exceeded new originated volume and brokered home equity loans continued to run off. Education loans declined primarily due to continued runoff of the government guaranteed education loan portfolio.

For information on home equity and residential real estate loans, including by geography and lien priority, and our auto loan portfolio, see Loan Portfolio Characteristics and Analysis in the Credit Risk Management portion of the Risk Management section in this Item 7.

For additional information regarding our loan portfolio, see the Credit Risk Management portion of the Risk Management section in this Item 7 and Note 1 Accounting Policies, Note 3 Asset Quality and Note 4 Allowance for Loan and Lease Losses in our Notes To Consolidated Financial Statements included in Item 8 of this Report.

## Investment Securities

The carrying value of investment securities of $86.8 billion at December 31, 2019 increased $4.1 billion, or 5%, compared to December 31, 2018, driven by net purchases and changes in unrealized gains and losses of agency residential mortgage-backed securities.

The level and composition of the investment securities portfolio fluctuates over time based on many factors including market conditions, loan and deposit growth, and balance sheet management activities. We manage our investment securities portfolio to optimize returns, while providing a reliable source of liquidity for our banking and other activities, considering LCR and other internal and external guidelines and constraints.

***Table 6: Investment Securities***

| | December 31, 2019 | | December 31, 2018 | | Ratings (a) As of December 31, 2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Dollars in millions | Amortized Cost | Fair Value | Amortized Cost | Fair Value | AAA/ AA | A | BBB | BB and Lower | No Rating |
| U.S. Treasury and government agencies | $ 16,926 | $ 17,348 | $ 18,862 | $ 18,863 | 100% | | | | |
| Agency residential mortgage-backed | 50,266 | 50,984 | 45,153 | 44,407 | 100% | | | | |
| Non-agency residential mortgage-backed | 1,648 | 1,954 | 2,076 | 2,365 | 13% | 1% | 2% | 47% | 37% |
| Agency commercial mortgage-backed | 3,153 | 3,178 | 2,773 | 2,720 | 100% | | | | |
| Non-agency commercial mortgage-backed (b) | 3,782 | 3,806 | 3,177 | 3,145 | 87% | 4% | | | 9% |
| Asset-backed (c) | 5,096 | 5,166 | 5,115 | 5,155 | 90% | 2% | | 7% | 1% |
| Other debt (d) | 4,580 | 4,771 | 5,670 | 5,753 | 74% | 16% | 7% | 1% | 2% |
| Total investment securities (e) | $ 85,451 | $ 87,207 | $ 82,826 | $ 82,408 | 97% | 1% | | 1% | 1% |

(a) Ratings percentages allocated based on amortized cost.
(b) Collateralized primarily by retail properties, office buildings, lodging properties and multifamily housing.
(c) Collateralized primarily by corporate debt, government guaranteed education loans and other consumer credit products.
(d) Includes state and municipal securities.
(e) Includes available for sale and held to maturity securities, which are recorded on our balance sheet at fair value and amortized cost, respectively.

Table 6 presents the distribution of our total investment securities portfolio by amortized cost and fair value, as well as by credit rating. The relationship of fair value to amortized cost at December 31, 2019 compared to December 31, 2018 primarily reflected the impact of lower interest rates at the end of 2019 on the valuation of fixed rate securities. We have included credit ratings information because we believe that the information is an indicator of the degree of credit risk to which we are exposed, which could affect our

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risk-weighted assets and, therefore, our risk-based regulatory capital ratios under the regulatory capital rules. Changes in credit ratings classifications could indicate increased or decreased credit risk and could be accompanied by a reduction or increase in the fair value of our investment securities portfolio.

The duration of investment securities was 2.6 years at December 31, 2019. We estimate that at December 31, 2019 the effective duration of investment securities was 2.8 years for an immediate 50 basis points parallel increase in interest rates and 2.4 years for an immediate 50 basis points parallel decrease in interest rates. Comparable amounts at December 31, 2018 for the effective duration of investment securities were 3.5 years and 3.2 years, respectively.

Based on expected prepayment speeds, the weighted-average expected maturity of the investment securities portfolio was 4.1 years at December 31, 2019 compared to 5.3 years at December 31, 2018.

***Table 7: Weighted-Average Expected Maturities of Mortgage and Asset-Backed Debt Securities***

| December 31, 2019 | Years |
|---|---|
| Agency residential mortgage-backed | 4.2 |
| Non-agency residential mortgage-backed | 6.7 |
| Agency commercial mortgage-backed | 4.6 |
| Non-agency commercial mortgage-backed | 2.8 |
| Asset-backed | 2.0 |

Additional information regarding our investment securities is included in Note 5 Investment Securities and Note 6 Fair Value in the Notes To Consolidated Financial Statements included in this Report.

## Funding Sources

***Table 8: Details of Funding Sources***

| Dollars in millions | December 31 2019 | December 31 2018 | Change $ | Change % |
|---|---|---|---|---|
| Deposits | | | | |
| Noninterest-bearing | $ 72,779 | $ 73,960 | $ (1,181) | (2)% |
| Interest-bearing | | | | |
| Money market | 54,115 | 53,368 | 747 | 1 % |
| Demand | 71,692 | 65,211 | 6,481 | 10 % |
| Savings | 68,291 | 56,793 | 11,498 | 20 % |
| Time deposits | 21,663 | 18,507 | 3,156 | 17 % |
| Total interest-bearing deposits | 215,761 | 193,879 | 21,882 | 11 % |
| Total deposits | 288,540 | 267,839 | 20,701 | 8 % |
| Borrowed funds | | | | |
| Federal Home Loan Bank (FHLB) borrowings | 16,341 | 21,501 | (5,160) | (24)% |
| Bank notes and senior debt | 29,010 | 25,018 | 3,992 | 16 % |
| Subordinated debt | 6,134 | 5,895 | 239 | 4 % |
| Other | 8,778 | 5,005 | 3,773 | 75 % |
| Total borrowed funds | 60,263 | 57,419 | 2,844 | 5 % |
| Total funding sources | $ 348,803 | $ 325,258 | $ 23,545 | 7 % |

Total deposits increased as growth in interest-bearing deposits was slightly offset by a decrease in noninterest-bearing deposits. The increase in interest-bearing deposits reflected overall growth in both commercial and consumer deposits, including from the retail national expansion strategy which contributed to the increase in savings. Interest-bearing demand deposits at December 31, 2019 included $4.1 billion of balances related to a new sweep deposit product offering for current asset management clients.

Borrowed funds increased in the comparison as a decline in FHLB borrowings was more than offset by increases in bank notes and senior debt and federal funds purchased. The level and composition of borrowed funds fluctuates over time based on many factors including market conditions, loan, investment securities and deposit growth and capital considerations. We manage our borrowed funds to provide a reliable source of liquidity for our banking and other activities, considering LCR and other internal and external guidelines and constraints.

See the Liquidity and Capital Management portion of the Risk Management section of this Item 7 for additional information regarding our 2019 liquidity and capital activities.

**Shareholders' Equity**

Total shareholders' equity was $49.3 billion at December 31, 2019, an increase of $1.6 billion compared to December 31, 2018. The increase resulted from net income of $5.4 billion and higher AOCI of $1.5 billion primarily related to net unrealized securities gains, partially offset by common share repurchases of $3.5 billion and common and preferred dividends of $2.1 billion.

Common shares outstanding were 433 million at December 31, 2019 and 457 million at December 31, 2018 as repurchases of 25.9 million shares during 2019 were partially offset by stock-based compensation activity.

## Business Segments Review

We have four reportable business segments:

- Retail Banking
- Corporate & Institutional Banking
- Asset Management Group
- BlackRock

Business segment results and a description of each business are included in Note 22 Segment Reporting included in the Notes To Consolidated Financial Statements in Item 8 of this Report. Certain amounts included in this Business Segments Review differ from those amounts shown in Note 22, primarily due to the presentation in this Item 7 of business net interest income on a taxable-equivalent basis. Note 22 presents results of businesses for 2019, 2018 and 2017.

Net interest income in business segment results reflects our internal funds transfer pricing methodology. Assets receive a funding charge and liabilities and capital receive a funding credit based on a transfer pricing methodology that incorporates product repricing characteristics, tenor and other factors.

Total business segment financial results differ from total consolidated net income. The impact of these differences is reflected in the "Other" category as shown in Table 99 in Note 22 Segment Reporting in Item 8 of this Report. "Other" includes residual activities that do not meet the criteria for disclosure as a separate reportable business, such as asset and liability management activities including net securities gains or losses, other-than-temporary impairment of investment securities, certain trading activities, certain runoff consumer loan portfolios, private equity investments, intercompany eliminations, certain corporate overhead, tax adjustments that are not allocated to business segments, gains or losses related to BlackRock transactions, exited businesses, and differences between business segment performance reporting and financial statement reporting (GAAP), including the presentation of net income attributable to noncontrolling interests as the segments' results exclude their portion of net income attributable to noncontrolling interests.

## Retail Banking

Retail Banking's core strategy is to acquire and retain customers who maintain their primary checking and transaction relationships with us. We seek to deepen relationships by meeting the broad range of our customers' financial needs with savings, liquidity, lending, investment and retirement solutions. A strategic priority for us is to differentiate the customer experience and drive transformation and automation. A key element of our strategy is to expand the use of lower-cost alternative distribution channels, with an emphasis on digital capabilities, while continuing to optimize the traditional branch network. In addition, we have a disciplined process to continually improve the engagement of both our employees and customers, which is a strong driver of customer growth, retention and relationship expansion. In 2018, we launched our national expansion strategy designed to grow customers with digitally-led banking and an ultra-thin branch network in markets outside of our existing retail branch network and began offering our digital high yield savings deposit product and opened our first solution center. Solution centers are an emerging branch operating model with a distinctive physical layout, where routine transactions are supported through a combination of technology and skilled banker assistance to create personalized customer experiences. The primary focus of the solution center is to bring a community element to our digital banking capabilities. The solution center provides a collaborative environment that connects our customers with our digital solutions and services, beyond deposits and withdrawals.

***Table 9: Retail Banking Table***

| (Unaudited)<br>Year ended December 31<br>Dollars in millions, except as noted | 2019 | 2018 | Change $ | Change % |
|---|---|---|---|---|
| **Income Statement** | | | | |
| Net interest income | $ 5,520 | $ 5,119 | $ 401 | 8 % |
| Noninterest income | 2,648 | 2,631 | 17 | 1 % |
| Total revenue | 8,168 | 7,750 | 418 | 5 % |
| Provision for credit losses | 517 | 373 | 144 | 39 % |
| Noninterest expense | 6,061 | 5,978 | 83 | 1 % |
| Pretax earnings | 1,590 | 1,399 | 191 | 14 % |
| Income taxes | 377 | 335 | 42 | 13 % |
| Earnings | $ 1,213 | $ 1,064 | $ 149 | 14 % |
| **Average Balance Sheet** | | | | |
| Loans held for sale | $ 627 | $ 636 | $ (9) | (1)% |
| Loans | | | | |
| Consumer lending | | | | |
| Home equity | $ 22,657 | $ 23,991 | $ (1,334) | (6)% |
| Residential real estate | 16,196 | 13,985 | 2,211 | 16 % |
| Automobile | 15,510 | 13,827 | 1,683 | 12 % |
| Education | 3,611 | 4,135 | (524) | (13)% |
| Credit cards | 6,550 | 5,838 | 712 | 12 % |
| Other | 2,244 | 1,843 | 401 | 22 % |
| Total consumer lending | 66,768 | 63,619 | 3,149 | 5 % |
| Commercial and commercial real estate | 10,410 | 10,383 | 27 | — |
| Total loans | $ 77,178 | $ 74,002 | $ 3,176 | 4 % |
| Total assets | $ 92,959 | $ 89,739 | $ 3,220 | 4 % |
| Deposits | | | | |
| Noninterest-bearing demand | $ 31,675 | $ 30,670 | $ 1,005 | 3 % |
| Interest-bearing demand | 42,077 | 42,042 | 35 | — |
| Money market | 25,317 | 29,798 | (4,481) | (15)% |
| Savings | 56,722 | 47,019 | 9,703 | 21 % |
| Certificates of deposit | 12,613 | 12,007 | 606 | 5 % |
| Total deposits | $ 168,404 | $ 161,536 | $ 6,868 | 4 % |
| **Performance Ratios** | | | | |
| Return on average assets | 1.30% | 1.19% | | |
| Noninterest income to total revenue | 32% | 34% | | |
| Efficiency | 74% | 77% | | |

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| Year ended December 31<br>Dollars in millions, except as noted | 2019 | 2018 | Change $ | Change % |
|---|---|---|---|---|
| **Supplemental Noninterest Income Information** | | | | |
| Consumer services (a) | $ 1,174 | $ 1,128 | $ 46 | 4 % |
| Brokerage (b) | $ 356 | $ 350 | $ 6 | 2 % |
| Residential mortgage | $ 368 | $ 316 | $ 52 | 16 % |
| Service charges on deposits | $ 687 | $ 688 | $ (1) | — |
| **Residential Mortgage Information** | | | | |
| Residential mortgage servicing statistics (in billions, except as noted) (c) | | | | |
| Serviced portfolio balance (d) | $ 120 | $ 125 | $ (5) | (4)% |
| Serviced portfolio acquisitions | $ 12 | $ 12 | $ — | — |
| MSR asset value (d) | $ 1.0 | $ 1.3 | $ (.3) | (23)% |
| MSR capitalization value (in basis points) (d) | 83 | 100 | (17) | (17)% |
| Servicing income: (in millions) | | | | |
| Servicing fees, net (e) | $ 178 | $ 181 | $ (3) | (2)% |
| Mortgage servicing rights valuation, net of economic hedge | $ 47 | $ 3 | $ 44 | * |
| Residential mortgage loan statistics | | | | |
| Loan origination volume (in billions) | $ 11.5 | $ 7.4 | $ 4.1 | 55 % |
| Loan sale margin percentage | 2.41% | 2.41% | | |
| Percentage of originations represented by: | | | | |
| Purchase volume (f) | 47% | 67% | | |
| Refinance volume | 53% | 33% | | |
| **Other Information (d)** | | | | |
| Customer-related statistics (average) | | | | |
| Non-teller deposit transactions (g) | 57% | 55% | | |
| Digital consumer customers (h) | 69% | 66% | | |
| Credit-related statistics | | | | |
| Nonperforming assets (i) | $ 1,046 | $ 1,126 | $ (80) | (7)% |
| Net charge-offs | $ 534 | $ 420 | $ 114 | 27 % |
| Other statistics | | | | |
| ATMs | 9,091 | 9,162 | (71) | (1)% |
| Branches (j) | 2,296 | 2,372 | (76) | (3)% |
| Brokerage account client assets (in billions) (k) | $ 54 | $ 47 | $ 7 | 15 % |

* - Not Meaningful

(a) Excludes brokerage noninterest income, which is included in Consumer services on our Consolidated Income Statement.
(b) Included in Consumer services on our Consolidated Income Statement.
(c) Represents mortgage loan servicing balances for third parties and the related income.
(d) Presented as of December 31, except for customer-related statistics, which are averages for the year ended, and net charge-offs, which are for the year ended.
(e) Servicing fees net of impact of decrease in MSR value due to passage of time, including the impact from both regularly scheduled loan payments, prepayments, and loans that were paid down or paid off during the period.
(f) Mortgages with borrowers as part of residential real estate purchase transactions.
(g) Percentage of total consumer and business banking deposit transactions processed at an ATM or through our mobile banking application.
(h) Represents consumer checking relationships that process the majority of their transactions through non-teller channels.
(i) Includes nonperforming loans of $1.0 billion and $1.1 billion at December 31, 2019 and 2018, respectively.
(j) Excludes stand-alone mortgage offices and satellite offices (e.g., drive-ups, electronic branches and retirement centers) that provide limited products and/or services.
(k) Includes cash and money market balances.

Retail Banking earned $1.2 billion in 2019 compared with $1.1 billion in 2018. The increase in earnings was attributable to higher net interest income and noninterest income partially offset by an increase in provision for credit losses and higher noninterest expense.

Net interest income increased primarily due to wider interest rate spreads on the value of deposits as well as growth in deposit and loan balances.

Noninterest income increased largely due to growth in residential mortgage revenue attributable to a higher benefit from residential mortgage servicing rights valuation, net of economic hedge, and increased loan sales revenue from higher origination volumes. Higher noninterest income also reflected growth in consumer services, including debit and credit card, brokerage fees, and merchant services. These increases were partially offset by negative derivative fair value adjustments related to Visa Class B common shares of $100 million in 2019 compared with positive adjustments of $35 million in 2018.


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Provision for credit losses increased in 2019 compared to 2018 primarily as a result of higher auto loan and credit card reserves due to loan growth and portfolio losses, and higher reserves for unsecured installment loans partially offset by a lower provision for home equity loans.

Higher noninterest expense primarily resulted from an increase in ATM expense driven by enhanced checking product benefits, higher equipment expense, and increased customer transaction related costs.

The deposit strategy of Retail Banking is to remain disciplined on pricing and focused on growing and retaining relationship-based balances, executing on market-specific deposit growth strategies and providing a source of low-cost funding and liquidity to PNC. In 2019, average total deposits increased compared to 2018 primarily driven by savings deposits which increased due, in part, to a shift from money market deposits to relationship-based savings products as well as growth in consumer deposits, including from our national expansion. The increase in deposits was also attributable to higher noninterest-bearing demand deposits and certificates of deposit reflecting shifts in consumer preferences to time deposits.

Retail Banking average total loans grew in 2019 compared with 2018:

- Average residential mortgages increased primarily as a result of growth in nonconforming residential mortgage loans.
- Average auto loans increased primarily due to strong new indirect auto loan volumes, including in our Southeast and expansion markets, as well as growth in direct auto loans.
- Average credit card balances increased as we continued to focus on our long-term objective of deepening penetration within our existing customer base as well as new client acquisition.
- Average home equity loans decreased as paydowns and payoffs on loans exceeded new originated volume.
- Average education loans decreased driven by a decline in the runoff portfolio of government guaranteed education loans.

Our national expansion initiative launched in 2018 with deposit products led by a digital high yield savings account. Following the first solution center opening in Kansas City in 2018, four additional solution centers were opened in 2019 with a second in Kansas City and three in the Dallas/Fort Worth market.

Retail Banking continues to enhance the customer experience with refinements to product and service offerings that drive value for consumers and small businesses. We are focused on meeting the financial needs of our customers by providing a broad range of liquidity, banking and investment products. Retail Banking continued to execute on its strategy of transforming the customer experience through transaction channel migration, branch network and home lending process transformations and multi-channel engagement and service strategies.

- Approximately 69% of consumer customers used non-teller channels for the majority of their transactions in 2019 compared with 66% in 2018.
- Deposit transactions via ATM and mobile channels increased to 57% of total deposit transactions in 2019 from 55% in 2018.

Retail Banking continues to make progress on its multi-year initiative to redesign the home lending process, including integrating mortgage and home equity lending into a common platform. Technology enhancements supported increased residential mortgage origination volume. In addition, we enhanced the home equity origination process to make it easier and to reach additional customers by offering the product in new states. The improvements and expansion will continue throughout 2020.

## Corporate & Institutional Banking

Corporate & Institutional Banking's strategy is to be the leading relationship-based provider of traditional banking products and services to its customers through the economic cycles. We aim to grow our market share and drive higher returns by delivering value-added solutions that help our clients better run their organizations, all while maintaining prudent risk and expense management. We continue to focus on building client relationships where the risk-return profile is attractive.

***Table 10: Corporate & Institutional Banking Table***

| (Unaudited)<br>Year ended December 31<br>Dollars in millions, except as noted | 2019 | 2018 | Change $ | Change % |
|---|---|---|---|---|
| **Income Statement** | | | | |
| Net interest income | $ 3,714 | $ 3,637 | $ 77 | 2 % |
| Noninterest income | 2,537 | 2,406 | 131 | 5 % |
| Total revenue | 6,251 | 6,043 | 208 | 3 % |
| Provision for credit losses | 284 | 85 | 199 | 234 % |
| Noninterest expense | 2,813 | 2,706 | 107 | 4 % |
| Pretax earnings | 3,154 | 3,252 | (98) | (3)% |
| Income taxes | 706 | 744 | (38) | (5)% |
| Earnings | $ 2,448 | $ 2,508 | $ (60) | (2)% |
| **Average Balance Sheet** | | | | |
| Loans held for sale | $ 505 | $ 739 | $ (234) | (32)% |
| Loans | | | | |
| Commercial lending | | | | |
| Commercial | $ 112,809 | $ 103,285 | $ 9,524 | 9 % |
| Commercial real estate | 26,340 | 26,569 | (229) | (1)% |
| Equipment lease financing | 7,255 | 7,437 | (182) | (2)% |
| Total commercial lending | 146,404 | 137,291 | 9,113 | 7 % |
| Consumer | 15 | 42 | (27) | (64)% |
| Total loans | $ 146,419 | $ 137,333 | $ 9,086 | 7 % |
| Total assets | $ 164,243 | $ 154,119 | $ 10,124 | 7 % |
| Deposits | | | | |
| Noninterest-bearing demand | $ 39,141 | $ 44,099 | $ (4,958) | (11)% |
| Interest-bearing demand | 19,487 | 15,114 | 4,373 | 29 % |
| Money market | 28,091 | 24,060 | 4,031 | 17 % |
| Other | 6,676 | 5,136 | 1,540 | 30 % |
| Total deposits | $ 93,395 | $ 88,409 | $ 4,986 | 6 % |
| **Performance Ratios** | | | | |
| Return on average assets | 1.49% | 1.63% | | |
| Noninterest income to total revenue | 41% | 40% | | |
| Efficiency | 45% | 45% | | |
| **Other Information** | | | | |
| Consolidated revenue from: (a) | | | | |
| Treasury Management (b) | $ 1,866 | $ 1,779 | $ 87 | 5 % |
| Capital Markets (b) | $ 1,140 | $ 1,088 | $ 52 | 5 % |
| Commercial mortgage banking activities: | | | | |
| Commercial mortgage loans held for sale (c) | $ 97 | $ 107 | $ (10) | (9)% |
| Commercial mortgage loan servicing income (d) | 261 | 247 | 14 | 6 % |
| Commercial mortgage servicing rights valuation, net of economic hedge (e) | 19 | 27 | (8) | (30)% |
| Total | $ 377 | $ 381 | $ (4) | (1)% |
| Commercial mortgage servicing rights asset value (f) | $ 649 | $ 726 | $ (77) | (11)% |
| Average Loans by C&IB Business (g) | | | | |
| Corporate Banking | $ 74,016 | $ 66,503 | $ 7,513 | 11 % |
| Real Estate | 37,149 | 37,571 | (422) | (1)% |
| Business Credit | 22,586 | 20,800 | 1,786 | 9 % |
| Commercial Banking | 7,984 | 8,109 | (125) | (2)% |
| Other | 4,684 | 4,350 | 334 | 8 % |
| Total average loans | $ 146,419 | $ 137,333 | $ 9,086 | 7 % |
| Credit-related statistics | | | | |
| Nonperforming assets (f) (h) | $ 444 | $ 377 | $ 67 | 18 % |
| Net charge-offs | $ 105 | $ 10 | $ 95 | 950 % |

(a) See the additional revenue discussion regarding treasury management, capital markets-related products and services, and commercial mortgage banking activities in the Product Revenue section of this Corporate & Institutional Banking section.

(b) Amounts reported in net interest income and noninterest income.

(c) Represents other noninterest income for valuations on commercial mortgage loans held for sale and related commitments, derivative valuations, originations fees, gains on sale of loans held for sale and net interest income on loans held for sale.

(d) Represents net interest income and noninterest income (primarily in corporate service fees) from loan servicing net of reduction in commercial mortgage servicing rights due to amortization expense and payoffs. Commercial mortgage servicing rights valuation, net of economic hedge is shown separately.

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(e) Amounts are reported in corporate service fees.
(f) As of December 31.
(g) As a result of our first quarter 2019 C&IB business realignment, average loans previously reported as Equipment Finance were reclassified to other C&IB businesses for all periods presented.
(h) Primarily nonperforming loans of $.4 billion and $.3 billion at December 31, 2019 and 2018, respectively.

Corporate & Institutional Banking earned $2.4 billion in 2019 compared to $2.5 billion in 2018. Higher revenue was more than offset by an increase in the provision for credit losses and higher noninterest expense.

Net interest income increased in the comparison primarily due to higher average loan and deposit balances, partially offset by narrower interest rate spreads on the value of loans.

Growth in noninterest income in the comparison reflected broad-based increases including higher treasury management product revenue and higher capital markets-related revenue.

The increase in provision for credit losses was primarily driven by loan growth and reserves attributed to certain commercial credits. Nonperforming assets and net charge-offs in 2019 increased from recent historic lows.

Noninterest expense increased in the comparison largely due to investments in strategic initiatives and variable costs associated with increased business activity.

Average loans increased compared with 2018 due to strong growth in Corporate Banking and Business Credit:

- Corporate Banking provides lending, treasury management and capital markets-related products and services to mid-sized and large corporations, and government and not-for-profit entities. Average loans for this business grew reflecting strong production in asset-backed financing as well as increased lending to large and mid-sized corporate clients.
- PNC Business Credit provides asset-based lending. The loan portfolio is relatively high yielding, with acceptable risk as the loans are mainly secured by short-term assets. Average loans for this business increased primarily due to net new originations and higher utilization.
- PNC Real Estate provides banking, financing and servicing solutions for commercial real estate clients across the country. Average loans for this business decreased slightly primarily driven by project loan payoffs, partially offset by higher commercial mortgage balances.
- Commercial Banking provides lending, treasury management and capital markets-related products and services to smaller corporations and businesses. Average loans for this business were relatively unchanged.

The deposit strategy of Corporate & Institutional Banking is to remain disciplined on pricing and focused on growing and retaining relationship-based balances over time, executing on customer and segment-specific deposit growth strategies and continuing to provide funding and liquidity to PNC. Average total deposits increased in the comparison driven by growth in interest-bearing deposits including a shift from noninterest-bearing deposits. We continue to monitor and balance the relationship between rates paid and the overall profitability of our deposit balances.

Corporate & Institutional Banking expanded its Corporate Banking business, focused on the middle market and larger sectors, into the Boston and Phoenix markets in 2019. This followed offices opened in Denver, Houston and Nashville in 2018, and offices opened in Dallas, Kansas City and Minneapolis in 2017. These locations complement Corporate & Institutional Banking national businesses with a significant presence in these cities, and build on past successes in the markets where PNC's retail banking presence was limited, such as in the Southeast. Our full suite of commercial products and services is offered in these locations. We also plan to expand into the Portland and Seattle markets in 2020.

**Product Revenue**

In addition to credit and deposit products for commercial customers, Corporate & Institutional Banking offers other services, including treasury management, capital markets-related products and services, and commercial mortgage banking activities, for customers of all business segments. On a consolidated basis, the revenue from these other services is included in net interest income, corporate service fees and other noninterest income. From a business segment perspective, the majority of the revenue and expense related to these services is reflected in the Corporate & Institutional Banking segment results and the remainder is reflected in the results of other businesses. The Other Information section in Table 10 reflects the consolidated revenue to PNC for these services. A discussion of the consolidated revenue from these services follows.

The Treasury Management business provides payables, receivables, deposit and account services, liquidity and investments, and online and mobile banking products and services to our clients. Treasury management revenue is reported in noninterest income and net interest income. Noninterest income includes treasury management product revenue less earnings credits provided to customers on compensating deposit balances used to pay for products and services. Net interest income primarily includes revenue from all treasury

management customer deposit balances. Compared with 2018, treasury management revenue increased primarily due to higher product revenue and higher deposit balances.

Capital markets-related products and services include foreign exchange, derivatives, securities underwriting, loan syndications, mergers and acquisitions advisory and equity capital markets advisory related services. The increase in capital markets-related revenue in the comparison was broad based across most products and services and included higher asset-backed finance structuring fees, underwriting fees, and customer-related derivatives fees, partially offset by lower loan syndication revenue.

Commercial mortgage banking activities include revenue derived from commercial mortgage servicing (both net interest income and noninterest income) and revenue derived from commercial mortgage loans held for sale and related hedges. Total revenue from commercial mortgage banking activities decreased in the comparison due to lower revenue from commercial mortgage loans held for sale and related hedges and a lower benefit from commercial mortgage servicing rights valuation, net of economic hedge, mostly offset by higher commercial mortgage loan servicing income.

## Asset Management Group

Asset Management Group is focused on being a premier bank-held individual and institutional asset manager in each of the markets it serves. The business seeks to deliver high quality banking, trust and investment management services to our high net worth, ultra high net worth and institutional client sectors through a broad array of products and services. Asset Management Group's priorities are to serve our clients' financial objectives, grow and deepen customer relationships and deliver solid financial performance with prudent risk and expense management.

***Table 11: Asset Management Group Table***

| (Unaudited)<br>Year ended December 31<br>Dollars in millions, except as noted | 2019 | 2018 | Change $ | Change % |
|---|---|---|---|---|
| **Income Statement** | | | | |
| Net interest income | $ 288 | $ 287 | $ 1 | — |
| Noninterest income | 991 | 892 | 99 | 11 % |
| Total revenue | 1,279 | 1,179 | 100 | 8 % |
| Provision for credit losses | (1) | 2 | (3) | (150)% |
| Noninterest expense | 939 | 913 | 26 | 3 % |
| Pretax earnings | 341 | 264 | 77 | 29 % |
| Income taxes | 79 | 62 | 17 | 27 % |
| Earnings | $ 262 | $ 202 | $ 60 | 30 % |
| **Average Balance Sheet** | | | | |
| Loans | | | | |
| Consumer lending | | | | |
| Residential real estate | $ 1,923 | $ 1,588 | $ 335 | 21 % |
| Other | 4,232 | 4,656 | (424) | (9)% |
| Total consumer lending | 6,155 | 6,244 | (89) | (1)% |
| Commercial and commercial real estate | 759 | 727 | 32 | 4 % |
| Total loans | $ 6,914 | $ 6,971 | $ (57) | (1)% |
| Total assets | $ 7,360 | $ 7,423 | $ (63) | (1)% |
| Deposits | | | | |
| Noninterest-bearing demand | $ 1,360 | $ 1,458 | $ (98) | (7)% |
| Interest-bearing demand | 4,060 | 3,323 | 737 | 22 % |
| Money market | 1,832 | 2,253 | (421) | (19)% |
| Savings | 6,216 | 4,890 | 1,326 | 27 % |
| Other | 822 | 466 | 356 | 76 % |
| Total deposits | $ 14,290 | $ 12,390 | $ 1,900 | 15 % |
| **Performance Ratios** | | | | |
| Return on average assets | 3.56% | 2.72% | | |
| Noninterest income to total revenue | 77% | 76% | | |
| Efficiency | 73% | 77% | | |
| **Supplemental Noninterest Income Information** | | | | |
| Asset management fees | $ 862 | $ 883 | $ (21) | (2)% |
| **Other Information** | | | | |
| Nonperforming assets (a) (b) | $ 39 | $ 46 | $ (7) | (15)% |
| Net charge-offs | $ 5 | $ 9 | $ (4) | (44)% |
| **Client Assets Under Administration (in billions) (a) (c)** | | | | |
| Discretionary client assets under management | $ 154 | $ 148 | $ 6 | 4 % |
| Nondiscretionary client assets under administration | 143 | 124 | 19 | 15 % |
| Total | $ 297 | $ 272 | $ 25 | 9 % |
| Discretionary client assets under management | | | | |
| Personal | $ 99 | $ 87 | $ 12 | 14 % |
| Institutional | 55 | 61 | (6) | (10)% |
| Total | $ 154 | $ 148 | $ 6 | 4 % |

(a) As of December 31.
(b) Includes nonperforming loans of $38 million at December 31, 2019 and $45 million at December 31, 2018.
(c) Excludes brokerage account client assets.

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Asset Management Group earned $262 million in 2019 compared with $202 million in 2018. Earnings increased primarily due to higher revenue partially offset by higher noninterest expense.

Growth in noninterest income was driven by the gains on sale of the retirement recordkeeping business and the sale of components of the PNC Capital Advisors investment management business, including its PNC family of proprietary mutual funds. Increases in the average equity markets also contributed to noninterest income growth in 2019. These increases were partially offset by lower asset management fees as a result of the business sales and the impact of lower yielding assets under management.

The increase in noninterest expense was primarily attributable to higher personnel expenses and costs associated with the sale transactions, including asset write-offs.

Asset Management Group's discretionary client assets under management increased primarily attributable to higher equity markets as of December 31, 2019.

The Asset Management Group strives to be the leading relationship-based provider of investment, planning, banking and fiduciary services to wealthy individuals and institutions by proactively delivering value-added ideas and solutions and exceptional service.

Wealth Management and Hawthorn have nearly 100 offices operating in seven out of the ten most affluent states in the U.S. with a majority co-located with retail banking branches. The businesses provide customized investment management, wealth planning, trust and estate administration and private banking solutions to affluent individuals and ultra-affluent families.

Institutional Asset Management provides outsourced chief investment officer, custody, private real estate, cash and fixed income client solutions, and fiduciary retirement advisory services to institutional clients including corporations, healthcare systems, insurance companies, unions, municipalities and non-profits.

## BlackRock

*(Unaudited)*

Information related to our equity investment in BlackRock follows:

***Table 12: BlackRock Table***

| Year ended December 31<br>Dollars in millions | 2019 | 2018 |
|---|---|---|
| Business segment earnings (a) | $ 838 | $ 781 |
| PNC's economic interest in BlackRock (b) | 22% | 22% |

(a) Represents our share of BlackRock's reported GAAP earnings net of income taxes on those earnings incurred by us.
(b) At December 31.

| In billions | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Carrying value of our investment in BlackRock (c) | $ 8.7 | $ 8.2 |
| Market value of our investment in BlackRock (d) | $ 17.5 | $ 13.7 |

(c) We account for our investment in BlackRock under the equity method of accounting, exclusive of a related deferred tax liability of $1.8 billion at December 31, 2019 and $1.7 billion at December 31, 2018. Our voting interest in BlackRock common stock was approximately 22% at December 31, 2019.
(d) Does not include liquidity discount.

## Risk Management

### Enterprise Risk Management

We encounter risk as part of the normal course of operating our business. Accordingly, we design risk management processes to help manage this risk. We manage risk in light of our risk appetite to optimize long-term shareholder value while supporting our employees, customers and communities.

Our Enterprise Risk Management (ERM) Framework is structurally aligned with enhanced prudential standards that establish minimum requirements for the design and implementation of a risk management framework. This Risk Management section describes our ERM Framework which consists of risk culture, enterprise strategy (including risk appetite, strategic planning, capital planning and stress testing), risk governance and oversight, risk identification, risk assessments, risk controls and monitoring, and risk aggregation and reporting. The overall Risk Management section of this Item 7 also provides an analysis of our key areas of risk, which include but are not limited to credit, liquidity and capital, market and operational. Our use of financial derivatives as part of our overall asset and liability risk management process is also addressed within this Risk Management section.

We operate within a rapidly evolving regulatory environment. Accordingly, we are actively focused on the timely adoption of applicable regulatory pronouncements within our ERM Framework.

We view risk management as a cohesive combination of the following risk elements which form our ERM Framework:



**Risk Culture**
A strong risk culture helps us make well-informed decisions, ensures individuals conform to the established culture, reduces an individual's ability to do something for personal gain, and rewards employees working toward a common goal rather than individual interests. Our risk culture reinforces the appropriate protocols for responsible and ethical behavior. These protocols are especially critical in terms of our risk awareness, risk-taking behavior and risk management practices.

Managing risk is every employee's responsibility. All of our employees individually and collectively are responsible for ensuring the organization is performing with the utmost integrity, is applying sound risk management practices and is striving to achieve our stated objectives rather than pursuing individual interests. All employees are also responsible for understanding our Enterprise Risk Appetite Statement, the ERM Framework and how risk management applies to their respective roles and responsibilities. Employees are encouraged to collaborate across groups to identify and mitigate risks and elevate issues as required. We reinforce risk management responsibilities through a performance management system where employee performance goals include risk management objectives and incentives for employees to reinforce balanced measures of risk-adjusted performance.

Proactive communication, between groups and up to the Board of Directors, facilitates timely identification and resolution of risk issues. Our multi-level risk committee structure provides formal channels to identify and report risk.

**Enterprise Strategy**
We ensure that our overall enterprise strategy is within acceptable risk parameters through our risk appetite, strategic planning, capital planning and stress testing processes. These components are reviewed and approved at least annually by the Board of Directors.

*Risk Appetite*: Our risk appetite represents the organization's desired enterprise risk position, set within our capital based risk and liquidity capacity to achieve our strategic objectives and business plans. The Enterprise Risk Appetite Statement qualitatively describes the aggregate level of risk we are willing to accept in order to execute our business strategies. Qualitative guiding principles further define each of the risks within our taxonomy to support the risk appetite statement. Risk appetite metrics and limits, including forward-looking metrics, quantitatively measure whether we are operating within our stated Risk Appetite. Our risk appetite metrics reflect material risks, align with our established Risk Appetite Framework, balance risk and reward, leverage analytics, and adjust in a timely manner to changes in the external and internal risk environments.

*Strategic Planning*: Our enterprise and line of business strategic plans outline major objectives, strategies and goals which are expected to be achieved over the next five years while seeking to ensure we remain compliant with all capital, risk appetite and liquidity targets and guidelines. Our CEO and CFO lead the development of the corporate strategic plan, the strategic objectives and the comprehensive identification of material risks that could hinder successful implementation and execution of strategies. Strategic planning is linked to our risk management and capital planning processes.

*Capital Planning and Stress Testing*: Capital planning helps to ensure we are maintaining safe and sound operations and viability. The capital planning process and the resulting capital plan evolve as our overall risks, activities and risk management practices change. Capital planning aligns with our strategic planning process.

Stress testing is an essential element of the capital planning process. Effective stress testing enables us to consider the estimated effect on capital of various hypothetical scenarios.

**Risk Governance and Framework**
We employ a comprehensive risk management governance framework to help ensure that risks are identified, balanced decisions are made that consider risk and return, and risks are adequately monitored and managed. Risk committees established within this risk governance and oversight framework provide oversight for risk management activities at the Board of Directors, executive, corporate and business levels. Committee composition is designed to provide effective oversight balanced across the three lines of defense in accordance with the OCC's heightened risk management and governance standards and guidelines. See discussion of the enhanced prudential standards in the Supervision and Regulation section in Item 1 of this Report.

To ensure the appropriate risks are being taken and effectively managed and controlled, risk is managed across three lines of defense. The Board of Directors' and each line of defense's responsibilities are detailed below:

*Board of Directors* – The Board of Directors oversees our risk-taking activities and is responsible for exercising sound, independent judgment when assessing risk.

*First line of defense* – The front line units are accountable for identifying, owning and managing risks to within acceptable levels while adhering to the risk management framework established by the Independent Risk Management department. Our businesses strive to enhance risk management and internal control processes within their areas. Integrated and comprehensive processes are designed to adequately identify, measure, manage, monitor and report risks which may significantly impact each business.

*Second line of defense* – The second line of defense is independent from the first line of defense and is responsible for establishing the standards for identifying, measuring, monitoring, controlling and reporting aggregate risks. As the second line of defense, the independent risk areas monitor the risks generated by the first line of defense, review and challenge the implementation of effective risk management practices, and report any issues or exceptions. The risk areas help to ensure processes and controls owned by the businesses are designed and operating as intended, and they may intervene directly in modifying and developing first line of defense risk processes and controls.

*Third line of defense* – As the third line of defense, Internal Audit is independent from the first and second lines of defense. Internal Audit provides the Board of Directors and executive management comprehensive assurance on the effectiveness of risk management practices across the organization.

Within the three lines of defense, the independent risk organization has sufficient authority to influence material decisions. Our business oversight and decision-making is supported through a governance structure at the Board of Directors and management level. Specific responsibilities include:

*Board of Directors* – Our Board of Directors oversees our business and affairs as managed by our officers and employees. The Board of Directors may receive assistance in carrying out its duties and may delegate authority through the following standing committees:

- *Audit Committee*: monitors the integrity of our consolidated financial statements; monitors internal control over financial reporting; monitors compliance with our code of ethics; evaluates and monitors the qualifications and independence of our independent auditors; and evaluates and monitors the performance of our Internal Audit function and our independent auditors.
- *Nominating and Governance Committee*: oversees the implementation of sound corporate governance principles and practices while promoting our best interests and those of our shareholders
- *Personnel and Compensation Committee*: oversees the compensation of our executive officers and other specified responsibilities related to personnel and compensation matters affecting us. The committee is also responsible for evaluating the relationship between risk-taking activities and incentive compensation plans.
- *Risk Committee*: oversees enterprise-wide risk structure and the processes established to identify, measure, monitor and manage the organization's risks and evaluates and approves our risk governance framework. The Risk Committee has formed a Technology Subcommittee and a Compliance Subcommittee to facilitate Board-level oversight of risk management in these areas.

*Executive Committee* – The Executive Committee is responsible for guiding the creation and execution of our business strategy across the company. With this responsibility, the Executive Committee executes various strategic approval and review activities, with a focus on capital deployment, business performance and risk management.

*Corporate Committees* – The Corporate Committees operate at the senior management level and are designed to facilitate the review, evaluation, oversight and approval of key risk activities.

*Working Committees* – The Working Committees are generally subcommittees of the Corporate Committees. Working Committees are intended to assist in the implementation of key enterprise-level activities within a business or function and support the oversight of the businesses key risk activities.

*Transactional Committees* – Transactional Committees are generally created for the specific purpose of approving individual transactions or movements on the organization's balance sheet.

*Policies and Procedures* – We have established risk management Policies and Procedures to support our ERM Framework, articulate our risk culture, define the parameters and processes within which employees are to manage risk and conduct our business activities and to provide direction, guidance and clarity on roles and responsibilities to management and the Board of Directors. These Policies and Procedures are organized in a multi-tiered framework and require periodic review and approval by relevant Committees or management.

**Risk Identification**

Risk identification takes place across a variety of risk types throughout the organization. These risk types consist of, but are not limited to, credit, liquidity and capital, market, operational and compliance. Risks are identified based on a balanced use of analytical tools and management judgment for both on- and off-balance sheet exposures. Our governance structure supports risk identification by facilitating assessment of key risk issues, emerging risks and idiosyncratic risks and implementation of mitigation strategies as appropriate. These risks are prioritized based on quantitative and qualitative analysis and assessed against the risk appetite. Multiple tools and approaches are used to help identify and prioritize risks, including Risk Appetite Metrics, Key Risk Indicators, Key Performance Indicators, Risk Control and Self-Assessments, scenario analysis, stress testing and special investigations.

Risks are aggregated and assessed within and across risk functions or businesses. The aggregated risk information is reviewed and reported at an enterprise level for adherence to the Risk Appetite Framework and approved by the Board of Directors or by appropriate committees. This enterprise aggregation and reporting approach promotes the identification and appropriate escalation of material risks across the organization and supports an understanding of the cumulative impact of risk in relation to our risk appetite.

**Risk Assessment**
Once risks are identified, they are evaluated based on quantitative and qualitative analysis to determine whether they are material. Risk assessments support the overall management of an effective ERM Framework and allow us to control and monitor our actual risk level and risk management effectiveness through the use of risk measures. Comprehensive, accurate and timely assessments of risk are essential to an effective ERM Framework. Effective risk measurement practices will uncover recurring risks that have been experienced in the past; make the known risks easy to see, understand, compare and report; and reveal unanticipated risks that may not be easy to understand or predict.

**Risk Controls and Monitoring**
Our ERM Framework consists of policies, processes, personnel and control systems. Risk controls and limits provide the linkage from our Risk Appetite Statement and associated guiding principles to the risk-taking activities of our businesses. In addition to risk appetite limits, a system of more detailed internal controls exists which oversees and monitors our various processes and functions. These control systems measure performance, help employees make correct decisions, help ensure information is accurate and reliable, and document compliance with laws and regulations.

We design our monitoring and evaluation of risks and controls to provide assurance that policies, procedures and controls are effective and also to result in the identification of control improvement recommendations. Risk monitoring is a daily, ongoing process used by both the first and second line of defense to ensure compliance with our ERM Framework. Risk monitoring is accomplished in many ways, including performing risk assessments at the prime process and risk assessment unit level, monitoring an area's key controls, the timely reporting of issues, and establishing a quality control and/or quality assurance function, as applicable.

**Risk Aggregation and Reporting**
Risk reporting is a comprehensive way to: (i) aggregate risks; (ii) identify concentrations; (iii) help ensure we remain within our established risk appetite; (iv) serve as a basis for monitoring our risk profile in relation to our risk appetite and (v) communicate risks to the Board of Directors and executive management.

Risk reports are produced at the line of business, functional risk and enterprise levels. The enterprise level risk report aggregates risks identified in the functional and business reports to define the enterprise risk profile. The enterprise risk profile is a point-in-time assessment of enterprise risk and represents our overall risk position in relation to the desired enterprise risk appetite. The determination of the enterprise risk profile is based on analysis of quantitative reporting of risk limits and other measures along with qualitative assessments. Quarterly aggregation of our risk profile enables a clear view of our risk level relative to our quantitative risk appetite. The enterprise level report is provided through the governance structure to the Board of Directors.

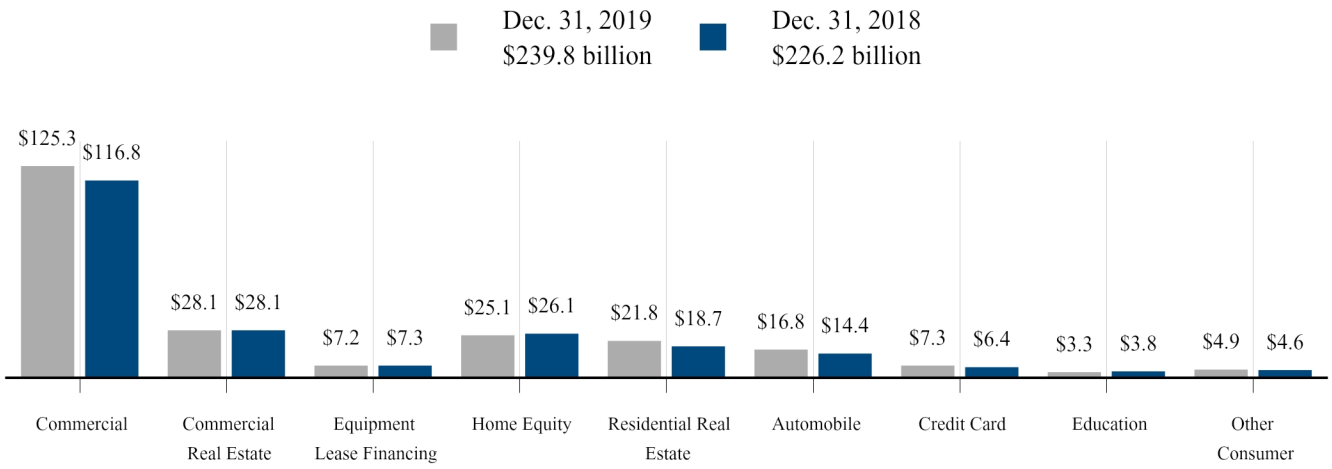
Each individual risk report includes an assessment of inherent risk, quality of risk management, residual risk, risk appetite and risk outlook. The enterprise level risk report includes an aggregate view of risks identified in the individual report and provides a summary of our overall risk profile compared to our risk appetite.

## Credit Risk Management

Credit risk represents the possibility that a customer, counterparty or issuer may not perform in accordance with contractual terms. Credit risk is inherent in the financial services business and results from extending credit to customers, purchasing securities, and entering into financial derivative transactions and certain guarantee contracts. Credit risk is one of our most significant risks. Our processes for managing credit risk are embedded in our risk culture and in our decision-making processes using a systematic approach whereby credit risks and related exposures are identified and assessed, managed through specific policies and processes, measured and evaluated against our risk appetite and credit concentration limits, and reported, along with specific mitigation activities, to management and the Board of Directors through our governance structure. Our most significant concentration of credit risk is in our loan portfolio.

## Loan Portfolio Characteristics and Analysis

***Table 13: Details of Loans***
In billions




We use several asset quality indicators, as further detailed in Note 3 Asset Quality in the Notes To Consolidated Financial Statements in Item 8 of this Report, to monitor and measure our exposure to credit risk within our loan portfolio. The following provides additional information about our significant loan classes.

Commercial

Commercial loans comprised 52% of our total loan portfolio at both December 31, 2019 and 2018. The majority of our commercial loans are secured by collateral that provides a secondary source of repayment for the loan should the borrower experience cash generation difficulties. Examples of this collateral include short-term assets, such as accounts receivable, inventory and securities, and long-lived assets, such as equipment, real estate and other business assets.

We actively manage our commercial loans to assess any changes (both positive and negative) in the level of credit risk at both the borrower and portfolio level. To evaluate the level of credit risk, we assign internal risk ratings reflecting our estimates of the borrower's probability of default (PD) and loss given default (LGD) for each related credit facility. This two-dimensional credit risk rating methodology provides granularity in the risk monitoring process and is updated on an ongoing basis through our credit risk management processes. In addition to monitoring the level of credit risk, we also monitor concentrations of credit risk pertaining to both specific industries and geography that may exist in our portfolio. Our portfolio is well-diversified as shown in the following table which provides a breakout of our commercial loans by industry classification (classified based on the North American Industry Classification System (NAICS)).

***Table 14: Commercial Loans by Industry***

| Dollars in millions | December 31, 2019 Amount | December 31, 2019 % of Total | December 31, 2018 Amount | December 31, 2018 % of Total |
|---|---|---|---|---|
| Commercial | | | | |
| Manufacturing | $ 21,540 | 17% | $ 21,207 | 18% |
| Retail/wholesale trade | 21,565 | 17 | 20,850 | 18 |
| Service providers | 16,112 | 13 | 14,869 | 13 |
| Real estate related (a) | 12,346 | 10 | 12,312 | 11 |
| Financial services | 11,318 | 9 | 9,500 | 8 |
| Health care | 8,035 | 6 | 8,886 | 8 |
| Transportation and warehousing | 7,474 | 6 | 5,781 | 5 |
| Other industries | 26,947 | 22 | 23,429 | 19 |
| Total commercial loans | $ 125,337 | 100% | $ 116,834 | 100% |

(a) Represents loans to customers in the real estate and construction industries.

Environmental and social risks are incorporated into the transaction and portfolio management policies and procedures that govern our underwriting and portfolio management practices. All Corporate & Institutional Banking transactions are subject to an Environmental and Social Risk Management assessment designed to help us better identify and mitigate environmental and human rights risks early in the credit application process. Transactions identified as having a potential environmental or human rights risk are evaluated to determine whether enhanced due diligence is warranted. We have also chosen to limit new originations in sectors that are no longer consistent with our strategic direction, such as mountain-top removal coal mining and private prisons. We periodically review environmental and social risk topics in PNC's Credit Portfolio Strategy Committee, and outcomes of these reviews may result in changes to our due diligence, origination requirements, or limits on credit exposure. Our approach to identifying environmental and social risks is regularly reviewed by senior management and overseen by our Board of Directors. PNC will continue to refine its approach as banking conditions, regulatory requirements, investors' perspectives and our strategic direction evolve.

Commercial Real Estate

Commercial real estate loans comprised $17.0 billion related to commercial mortgages, $5.6 billion of real estate project loans and $5.5 billion of intermediate term financing loans as of December 31, 2019. Comparable amounts were $14.4 billion, $6.6 billion and $7.1 billion, respectively, as of December 31, 2018.

We monitor credit risk associated with our commercial real estate loans similar to commercial loans by analyzing PD and LGD. Additionally, risks associated with these types of credit activities tend to be correlated to the loan structure, collateral location, project progress and business environment. These attributes are also monitored and utilized in assessing credit risk. The portfolio is geographically diverse due to the nature of our business involving clients throughout the U.S. The following table presents our commercial real estate loans by geography and property type.

***Table 15: Commercial Real Estate Loans by Geography and Property Type***

| | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| Dollars in millions | Amount | % of Total | Amount | % of Total |
| Geography | | | | |
| California | $ 4,393 | 16% | $ 4,154 | 15% |
| Florida | 2,557 | 9 | 2,157 | 8 |
| Maryland | 1,889 | 7 | 1,966 | 7 |
| Texas | 1,717 | 6 | 1,531 | 5 |
| Virginia | 1,547 | 6 | 1,682 | 6 |
| Pennsylvania | 1,310 | 4 | 1,214 | 4 |
| Ohio | 1,307 | 4 | 1,053 | 4 |
| New Jersey | 1,106 | 4 | 884 | 3 |
| North Carolina | 1,015 | 4 | 915 | 3 |
| Illinois | 1,001 | 4 | 1,368 | 5 |
| Other | 10,268 | 36 | 11,216 | 40 |
| Total commercial real estate loans | $ 28,110 | 100% | $ 28,140 | 100% |
| Property Type | | | | |
| Multifamily | $ 9,003 | 32% | $ 8,770 | 31% |
| Office | 7,641 | 27 | 7,279 | 26 |
| Retail | 3,702 | 13 | 4,065 | 14 |
| Industrial/Warehouse | 2,003 | 7 | 1,678 | 6 |
| Hotel/Motel | 1,813 | 7 | 1,686 | 6 |
| Senior Housing | 1,123 | 4 | 1,092 | 4 |
| Mixed Use | 943 | 3 | 933 | 3 |
| Other | 1,882 | 7 | 2,637 | 10 |
| Total commercial real estate loans | $ 28,110 | 100% | $ 28,140 | 100% |

Home Equity

Home equity loans comprised $13.9 billion of primarily variable-rate home equity lines of credit and $11.2 billion of closed-end home equity installment loans at December 31, 2019. Comparable amounts were $15.5 billion and $10.6 billion, respectively, as of December 31, 2018.

We track borrower performance monthly, including obtaining original loan-to-value ratios (LTV), updated FICO scores at least quarterly, updated LTVs at least semi-annually, and other credit metrics at least quarterly, including the historical performance of any related mortgage loans regardless of lien position that we do or do not hold. This information is used for internal reporting and risk management. For internal reporting and risk management we also segment the population into pools based on product type (*e.g.*, home

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equity loans, brokered home equity loans, home equity lines of credit, brokered home equity lines of credit). As part of our overall risk analysis and monitoring, we also segment the portfolio based upon the loan delinquency, nonperforming status, modification and bankruptcy status, FICO scores, LTV, lien position and geographic concentration.

The credit quality of newly originated loans in 2019 was strong overall with a weighted-average LTV on originations of 68% and a weighted-average FICO score of 768.

The credit performance of the majority of the home equity portfolio where we hold the first lien position is superior to the portion of the portfolio where we hold the second lien position, but do not hold the first lien. Lien position information is generally determined at the time of origination and monitored on an ongoing basis for risk management purposes. We use an industry-leading third-party service provider to obtain updated loan information, including lien and collateral data that is aggregated from public and private sources.

The following table presents our home equity loans by geography and lien type.

***Table 16: Home Equity Loans by Geography and by Lien Type***

| | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| Dollars in millions | Amount | % of Total | Amount | % of Total |
| Geography | | | | |
| Pennsylvania | $ 5,812 | 23% | $ 6,160 | 24% |
| New Jersey | 3,728 | 15 | 3,935 | 15 |
| Ohio | 2,899 | 12 | 3,095 | 12 |
| Illinois | 1,544 | 6 | 1,634 | 6 |
| Maryland | 1,420 | 6 | 1,481 | 6 |
| Michigan | 1,371 | 5 | 1,340 | 5 |
| Florida | 1,340 | 5 | 1,227 | 5 |
| North Carolina | 1,092 | 4 | 1,161 | 4 |
| Kentucky | 990 | 4 | 1,040 | 4 |
| Indiana | 820 | 3 | 845 | 3 |
| Other | 4,069 | 17 | 4,205 | 16 |
| Total home equity loans | $ 25,085 | 100% | $ 26,123 | 100% |
| Lien type | | | | |
| 1st lien | | 59% | | 58% |
| 2nd lien | | 41 | | 42 |
| Total | | 100% | | 100% |

Residential Real Estate

Residential real estate loans primarily consisted of residential mortgage loans at both December 31, 2019 and 2018.

We track borrower performance of this portfolio monthly similarly to home equity loans. This information is used for internal reporting and risk management. For internal reporting and risk management we also segment the mortgage portfolio into pools based on product type (*e.g.*, nonconforming, conforming). As part of our overall risk analysis and monitoring, we also segment the portfolio based upon loan delinquency, nonperforming status, modification and bankruptcy status, FICO scores, LTV and geographic concentrations. Loan performance is evaluated by source originators and loan servicers.

The credit quality of newly originated loans that we retained on our balance sheet in 2019 was strong overall as evidenced by a weighted-average LTV on originations of 70% and a weighted-average FICO score of 769.

The following table presents our residential real estate loans by geography.

***Table 17: Residential Real Estate Loans by Geography***

| Dollars in millions | December 31, 2019 Amount | December 31, 2019 % of Total | December 31, 2018 Amount | December 31, 2018 % of Total |
|---|---|---|---|---|
| Geography | | | | |
| California | $ 6,800 | 31% | $ 4,666 | 25% |
| New Jersey | 1,779 | 8 | 1,649 | 9 |
| Florida | 1,580 | 7 | 1,544 | 8 |
| Illinois | 1,118 | 5 | 1,161 | 6 |
| Pennsylvania | 1,113 | 5 | 1,031 | 6 |
| New York | 1,008 | 5 | 956 | 5 |
| Maryland | 923 | 4 | 913 | 5 |
| North Carolina | 877 | 4 | 854 | 5 |
| Virginia | 868 | 4 | 825 | 4 |
| Ohio | 704 | 3 | 682 | 4 |
| Other | 5,051 | 24 | 4,376 | 23 |
| Total residential real estate loans | $ 21,821 | 100% | $ 18,657 | 100% |

We originate residential mortgage loans nationwide through our national mortgage business as well as within our branch network. Residential mortgage loans underwritten to agency standards, including conforming loan amount limits, are typically sold with servicing retained by us. We also originate nonconforming residential mortgage loans that do not meet agency standards, which we retain on our balance sheet. The nonconforming residential mortgage portfolio had strong credit quality at December 31, 2019 with an average original LTV of 70% and an average original FICO score of 772. Our portfolio of nonconforming residential mortgage loans totaled $16.0 billion at December 31, 2019 with 38% located in California.

Automobile

Within auto loans, $15.1 billion resided in the indirect auto portfolio while $1.7 billion were in the direct auto portfolio as of December 31, 2019. Comparable amounts as of December 31, 2018 were $12.9 billion and $1.5 billion, respectively. The indirect auto portfolio relates to loan applications originated through franchised dealers, including from expansion into new markets. This business is strategically aligned with our core retail banking business.

We continue to focus on borrowers with strong credit profiles as evidenced by a weighted-average loan origination FICO score of 757 during 2019 and 740 during 2018 for indirect auto loans, and 769 during 2019 and 762 during 2018 for direct auto loans. The weighted-average term of loan originations during 2019 was 74 months for indirect auto loans and 63 months for direct auto loans. We offer both new and used auto financing to customers through our various channels. At December 31, 2019, the portfolio was composed of 55% new vehicle loans and 45% used vehicle loans. Comparable amounts at December 31, 2018 were 53% and 47%, respectively.

The auto loan portfolio's performance is measured monthly, including updated collateral values that are obtained monthly and updated FICO scores that are obtained at least quarterly. For internal reporting and risk management, we analyze the portfolio by product channel and product type and regularly evaluate default and delinquency experience. As part of our overall risk analysis and monitoring, we segment the portfolio by loan structure, collateral attributes and credit metrics which include FICO score, LTV and term.

**Nonperforming Assets and Loan Delinquencies**

Nonperforming Assets

Nonperforming assets include nonperforming loans and leases for which ultimate collectability of the full amount of contractual principal and interest is not probable and include nonperforming troubled debt restructurings (TDRs), other real estate owned (OREO) and foreclosed assets. Loans held for sale, certain government insured or guaranteed loans, purchased impaired loans and loans accounted for under the fair value option are excluded from nonperforming loans. Additional information regarding our nonperforming loans and nonaccrual policies is included in Note 1 Accounting Policies in the Notes To Consolidated Financial Statements in Item 8 of this Report. A summary of the major categories of nonperforming assets are presented in Table 18. See Note 3 Asset Quality in the Notes To Consolidated Financial Statements in Item 8 of this Report for further detail of nonperforming asset categories.

***Table 18: Nonperforming Assets by Type***

| Dollars in millions | December 31 2019 | December 31 2018 | Change $ | Change % |
|---|---|---|---|---|
| Nonperforming loans | | | | |
| Commercial lending | $ 501 | $ 432 | $ 69 | 16% |
| Consumer lending (a) | 1,134 | 1,262 | (128) | (10)% |
| Total nonperforming loans | 1,635 | 1,694 | (59) | (3)% |
| OREO and foreclosed assets | 117 | 114 | 3 | 3% |
| Total nonperforming assets | $ 1,752 | $ 1,808 | $ (56) | (3)% |
| TDRs included in nonperforming loans | $ 843 | $ 863 | $ (20) | (2)% |
| Percentage of total nonperforming loans | 52% | 51% | | |
| Nonperforming loans to total loans | .68% | .75% | | |
| Nonperforming assets to total loans, OREO and foreclosed assets | .73% | .80% | | |
| Nonperforming assets to total assets | .43% | .47% | | |
| Allowance for loan and lease losses to total nonperforming loans | 168% | 155% | | |

(a) Excludes most unsecured consumer loans and lines of credit, which are charged off after 120 to 180 days past due and are not placed on nonperforming status.

***Table 19: Change in Nonperforming Assets***

| In millions | 2019 | 2018 |
|---|---|---|
| January 1 | $ 1,808 | $ 2,035 |
| New nonperforming assets | 1,342 | 1,110 |
| Charge-offs and valuation adjustments | (664) | (556) |
| Principal activity, including paydowns and payoffs | (472) | (476) |
| Asset sales and transfers to loans held for sale | (95) | (139) |
| Returned to performing status | (167) | (166) |
| December 31 | $ 1,752 | $ 1,808 |

As of December 31, 2019, approximately 88% of total nonperforming loans were secured by collateral which lessened reserve requirements and is expected to reduce credit losses. As of December 31, 2019, commercial lending nonperforming loans were carried at approximately 74% of their unpaid principal balance, due to charge-offs recorded to date, before consideration of the ALLL.

Within consumer lending nonperforming loans, residential real estate TDRs comprised 79% and 81% of total residential real estate nonperforming loans at December 31, 2019 and 2018, respectively. Home equity TDRs comprised 49% of home equity nonperforming loans at December 31, 2019, up from 47% at December 31, 2018. TDRs generally remain in nonperforming status until a borrower has made at least six consecutive months of both principal and interest payments under the modified terms or ultimate resolution occurs. Loans where borrowers have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to us and loans to borrowers not currently obligated to make both principal and interest payments under the restructured terms are not returned to accrual status.

At December 31, 2019, our largest nonperforming asset was $29 million in the Retail Trade industry and the ten largest individual nonperforming assets represented 10% of total nonperforming assets.

Loan Delinquencies

We regularly monitor the level of loan delinquencies and believe these levels may be a key indicator of loan portfolio asset quality. Measurement of delinquency status is based on the contractual terms of each loan. Loans that are 30 days or more past due in terms of payment are considered delinquent. Loan delinquencies exclude loans held for sale and purchased impaired loans, but include government insured or guaranteed loans and loans accounted for under the fair value option.

***Table 20: Accruing Loans Past Due (a)***

| Dollars in millions | Amount | | | | Percentage of Total Loans Outstanding | |
|---|---|---|---|---|---|---|
| | December 31 2019 | December 31 2018 | Change $ | Change % | December 31 2019 | December 31 2018 |
| Early stage loan delinquencies | | | | | | |
| Accruing loans past due 30 to 59 days | $ 661 | $ 585 | $ 76 | 13 % | .28% | .26% |
| Accruing loans past due 60 to 89 days | 258 | 271 | (13) | (5)% | .11% | .12% |
| Total | 919 | 856 | 63 | 7 % | .38% | .38% |
| Late stage loan delinquencies | | | | | | |
| Accruing loans past due 90 days or more | 585 | 629 | (44) | (7)% | .24% | .28% |
| Total | $ 1,504 | $ 1,485 | $ 19 | 1 % | .63% | .66% |

(a) Past due loan amounts include government insured or guaranteed loans of $.6 billion at December 31, 2019 and $.7 billion at December 31, 2018.

Accruing loans past due 90 days or more continue to accrue interest because they are (i) well secured by collateral and are in the process of collection, (ii) managed in homogeneous portfolios with specified charge-off timeframes adhering to regulatory guidelines, or (iii) certain government insured or guaranteed loans. As such, they are excluded from nonperforming loans.

**Troubled Debt Restructurings and Loan Modifications**

Troubled Debt Restructurings

A TDR is a loan whose terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties. TDRs result from our loss mitigation activities and include rate reductions, principal forgiveness, postponement/reduction of scheduled amortization and extensions, which are intended to minimize economic loss and to avoid foreclosure or repossession of collateral. Additionally, TDRs also result from court imposed concessions (*e.g.,* a Chapter 7 bankruptcy where the debtor is discharged from personal liability to us and a court approved Chapter 13 bankruptcy repayment plan).

***Table 21: Summary of Troubled Debt Restructurings (a)***

| In millions | December 31 2019 | December 31 2018 | Change $ | Change % |
|---|---|---|---|---|
| Total commercial lending | $ 361 | $ 409 | $ (48) | (12)% |
| Total consumer lending | 1,303 | 1,442 | (139) | (10)% |
| Total TDRs | $ 1,664 | $ 1,851 | $ (187) | (10)% |
| Nonperforming | $ 843 | $ 863 | $ (20) | (2)% |
| Accruing (b) | 821 | 988 | (167) | (17)% |
| Total TDRs | $ 1,664 | $ 1,851 | $ (187) | (10)% |

(a) Amounts in table represent recorded investment, which includes the unpaid principal balance plus net accounting adjustments, less any charge-offs. Recorded investment does not include any associated valuation allowance.

(b) Accruing loans include consumer credit card loans and loans that have demonstrated a period of at least six months of performance under the restructured terms and are excluded from nonperforming loans.

Excluded from TDRs are $1.0 billion and $1.1 billion of consumer loans held for sale, loans accounted for under the fair value option and pooled purchased impaired loans, as well as certain government insured or guaranteed loans at December 31, 2019 and 2018, respectively. Nonperforming TDRs represented approximately 52% and 51% of total nonperforming loans at December 31, 2019 and 2018, respectively, while representing 51% and 47% of total TDRs at December 31, 2019 and 2018, respectively. The remaining portion of TDRs represents TDRs that have been returned to accrual status after performing under the restructured terms for at least six consecutive months.

See Note 3 Asset Quality in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information on TDRs.

Commercial Loan Modifications

Modifications of terms for commercial loans are based on individual facts and circumstances. Commercial loan modifications may involve reduction of the interest rate, extension of the loan term and/or forgiveness of principal. We evaluate these modifications for TDR classification based upon whether we granted a concession to a borrower experiencing financial difficulties.

Consumer Loan Modifications

We modify loans under government and PNC-developed programs based upon our commitment to help eligible homeowners and borrowers avoid foreclosure, where appropriate. Initially, a borrower is evaluated for a modification under a government program. If a borrower does not qualify under a government program, the borrower is then evaluated under a PNC program. Our programs utilize both temporary and permanent modifications and typically reduce the interest rate, extend the term and/or defer principal. Loans that

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are either temporarily or permanently modified under programs involving a change to loan terms are generally classified as TDRs. Further, loans that have certain types of payment plans and trial payment arrangements which do not include a contractual change to loan terms may be classified as TDRs.

A temporary modification, with a term up to 24 months, involves a change in original loan terms for a period of time and reverts to a calculated exit rate for the remaining term of the loan as of a specific date. A permanent modification, with a term greater than 24 months, is a modification in which the terms of the original loan are changed. Permanent modification programs generally result in principal forgiveness, interest rate reduction, term extension, capitalization of past due amounts, interest-only period or deferral of principal.

We also monitor the success rates and delinquency status of our loan modification programs to assess their effectiveness in serving our borrowers' and servicing customers' needs while mitigating credit losses.

**Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit**

On January 1, 2020 we adopted Accounting Standards Update (ASU) 2016-13 - Credit Losses (CECL). The following discussion refers to our Allowance for Loan and Leases Losses and Unfunded Loan Commitments and Letters of Credit prior to the adoption. For additional information on our implementation of CECL refer to Note 1 Accounting Policies in Item 8 of this Report.

We maintain an ALLL to absorb losses from the loan and lease portfolio and determine this allowance based on quarterly assessments of the estimated probable credit losses incurred in the loan and lease portfolio. Our total ALLL of $2.7 billion at December 31, 2019 consisted of $1.8 billion and $.9 billion established for the commercial lending and consumer lending categories, respectively. We maintain the ALLL at a level that we believe to be appropriate to absorb estimated probable credit losses incurred in the loan and lease portfolio as of the balance sheet date. The reserve calculation and determination process is dependent on the use of key assumptions. Key reserve assumptions and estimation processes react to and are influenced by observed changes in loan and lease portfolio performance experience, the financial strength of the borrower, and economic conditions. Key reserve assumptions and estimation processes are periodically updated.

Reserves are established for non-impaired commercial loan classes based primarily on PD and LGD. Our commercial pool reserve methodology is sensitive to changes in key risk parameters such as PD and LGD. The results of these parameters are then applied to the loan balance to determine the amount of the respective reserves. The majority of the commercial portfolio is secured by collateral, including loans to asset-based lending customers, which generally demonstrate lower LGDs compared to loans not secured by collateral. Our PDs and LGDs are primarily determined using internal commercial loan loss data. This internal data is supplemented with third-party data and management judgment, as deemed necessary. We continue to evaluate and enhance our use of internal commercial loss data and will periodically update our PDs and LGDs as well as consider third-party data, regulatory guidance and management judgment.

Allowances for non-impaired consumer loan classes are primarily based upon transition matrices, including using a roll-rate model. The roll-rate model uses statistical relationships, calculated from historical data that estimate the movement of loan outstandings through the various stages of delinquency and ultimately charge-off.

We establish specific allowances for loans considered impaired using methods prescribed by GAAP. All impaired loans are subject to individual analysis, except leases and large groups of smaller-balance homogeneous loans which may include, but are not limited to, credit card, residential real estate secured and consumer installment loans. Specific allowances for individual loans (including commercial and consumer TDRs) are determined based on an analysis of the present value of expected future cash flows from the loans discounted at their effective interest rate, observable market price or the fair value of the underlying collateral.

A portion of the ALLL is related to qualitative measurement factors. These factors may include, but are not limited to, the following:

- Industry concentrations and conditions,
- Changes in market conditions,
- Recent credit quality trends,
- Recent loss experience in particular portfolios, including specific and unique events,
- Recent macro-economic factors,
- Model imprecision,
- Changes in lending policies and procedures,
- Timing of available information, including the performance of first lien positions, and
- Limitations of available historical data.

Our determination of the ALLL for non-impaired loans is sensitive to the risk grades assigned to commercial loans and loss rates for consumer loans. There are several other qualitative and quantitative factors considered in determining the ALLL. Periodically, reserve

sensitivity analyses are performed. Such analyses provide insight into the impact of adverse changes to risk grades and loss rates. Given the current processes used, we believe the risk grades and loss rates currently assigned are appropriate.

Purchased impaired loans are initially recorded at fair value and applicable accounting guidance prohibits the carryover or creation of valuation allowances at acquisition. Because the initial fair values of these loans already reflect a credit component, additional reserves are established when performance is expected to be worse than our expectations as of the acquisition date. At December 31, 2019, we had established reserves of $.3 billion for purchased impaired loans. In addition, loans (purchased impaired and non-impaired) acquired after January 1, 2009 were recorded at fair value. No allowance for loan losses was carried over and no allowance was created at the date of acquisition.

In determining the appropriateness of the ALLL, we make specific allocations to impaired loans and allocations to portfolios of commercial and consumer loans. We also allocate reserves to provide coverage for probable losses incurred in the portfolio at the balance sheet date based upon current market conditions, which may not be reflected in historical loss data. Commercial lending is the largest category of credits and the determination of its ALLL is sensitive to changes in assumptions and judgments.

In addition to the ALLL, we maintain an allowance for unfunded loan commitments and letters of credit. We report this allowance as a liability on our Consolidated Balance Sheet. We maintain the allowance for unfunded loan commitments and letters of credit at a level we believe is appropriate to absorb estimated probable losses on these unfunded credit facilities. We determine this amount using estimates of the probability of the ultimate funding and losses related to those credit exposures. Other than the estimation of the probability of funding, this methodology is very similar to the one we use for determining our ALLL.

See Note 1 Accounting Policies and Note 3 Asset Quality in the Notes To Consolidated Financial Statements in Item 8 of this Report for further information on certain key asset quality indicators that we use to evaluate our portfolios and establish the allowances.

***Table 22: Allowance for Loan and Lease Losses***

| Dollars in millions | 2019 | 2018 |
|---|---|---|
| January 1 | $ 2,629 | $ 2,611 |
| Total net charge-offs | (642) | (420) |
| Provision for credit losses | 773 | 408 |
| Net decrease / (increase) in allowance for unfunded loan commitments and letters of credit | (33) | 12 |
| Other | 15 | 18 |
| December 31 | $ 2,742 | $ 2,629 |
| Net charge-offs to average loans (for the year ended) | .27% | .19% |
| ALLL to total loans | 1.14% | 1.16% |
| Commercial lending net charge-offs | $ (138) | $ (25) |
| Consumer lending net charge-offs | (504) | (395) |
| Total net charge-offs | $ (642) | $ (420) |
| Net charge-offs to average loans (for the year ended) | | |
| Commercial lending | .09% | .02% |
| Consumer lending | .67% | .54% |

The ALLL balance increases or decreases across periods in relation to fluctuating risk factors, including asset quality trends, net charge-offs and changes in aggregate portfolio balances. During 2019, overall credit quality remained historically strong, which resulted in an essentially flat ratio of ALLL to total loans as of December 31, 2019 compared to December 31, 2018.

The following table summarizes our loan charge-offs and recoveries.

***Table 23: Loan Charge-Offs and Recoveries***

| Year ended December 31<br>Dollars in millions | Gross Charge-offs | Recoveries | Net Charge-offs / (Recoveries) | Percent of Average Loans |
|---|---|---|---|---|
| 2019 | | | | |
| Commercial | $ 183 | $ 59 | $ 124 | .10 % |
| Commercial real estate | 18 | 11 | 7 | .02 % |
| Equipment lease financing | 15 | 8 | 7 | .10 % |
| Home equity | 68 | 74 | (6) | (.02)% |
| Residential real estate | 9 | 14 | (5) | (.02)% |
| Automobile | 261 | 114 | 147 | .95 % |
| Credit card | 263 | 27 | 236 | 3.60 % |
| Education | 26 | 8 | 18 | .50 % |
| Other consumer | 131 | 17 | 114 | 2.41 % |
| Total | $ 974 | $ 332 | $ 642 | .27 % |
| 2018 | | | | |
| Commercial | $ 108 | $ 67 | $ 41 | .04 % |
| Commercial real estate | 8 | 24 | (16) | (.06)% |
| Equipment lease financing | 8 | 8 | — | |
| Home equity | 110 | 98 | 12 | .04 % |
| Residential real estate | 6 | 21 | (15) | (.08)% |
| Automobile | 171 | 77 | 94 | .68 % |
| Credit card | 217 | 24 | 193 | 3.30 % |
| Education | 31 | 8 | 23 | .56 % |
| Other consumer | 105 | 17 | 88 | 1.98 % |
| Total | $ 764 | $ 344 | $ 420 | .19 % |

Total net charge-offs increased $222 million, or 53%, in 2019 compared to 2018. The increase in net charge-offs was primarily attributable to loan growth, some credit normalization in our portfolio and the impact of certain individual credits in commercial loans.

See Note 1 Accounting Policies and Note 4 Allowance for Loan and Lease Losses in the Notes To Consolidated Financial Statements in Item 8 of this Report for further information on the ALLL. Additionally, see Note 1 Accounting Policies for information on our implementation of Accounting Standards Update (ASU) 2016-13 - Credit Losses, including the impact of adoption at January 1, 2020 on our reserves and other selected financial information.

## Liquidity and Capital Management

Liquidity risk has two fundamental components. The first is potential loss assuming we were unable to meet our funding requirements at a reasonable cost. The second is the potential inability to operate our businesses because adequate contingent liquidity is not available. We manage liquidity risk at the consolidated company level (bank, parent company and nonbank subsidiaries combined) to help ensure that we can obtain cost-effective funding to meet current and future obligations under both normal “business as usual” and stressful circumstances, and to help ensure that we maintain an appropriate level of contingent liquidity.

Management monitors liquidity through a series of early warning indicators that may indicate a potential market, or PNC-specific, liquidity stress event. In addition, management performs a set of liquidity stress tests over multiple time horizons with varying levels of severity and maintains a contingency funding plan to address a potential liquidity stress event. In the most severe liquidity stress simulation, we assume that our liquidity position is under pressure, while the market in general is under systemic pressure. The simulation considers, among other things, the impact of restricted access to both secured and unsecured external sources of funding, accelerated runoff of customer deposits, valuation pressure on assets and heavy demand to fund committed obligations. Parent company liquidity guidelines are designed to help ensure that sufficient liquidity is available to meet our parent company obligations over the succeeding 24-month period. Liquidity-related risk limits are established within our Enterprise Liquidity Management Policy and supporting policies. Management committees, including the Asset and Liability Committee, and the Board of Directors and its Risk Committee regularly review compliance with key established limits.

In addition to these liquidity monitoring measures and tools described above, we also monitor our liquidity by reference to the Liquidity Coverage Ratio (LCR) which is further described in the Supervision and Regulation section in Item 1 of this Report. PNC and PNC Bank calculate the LCR on a daily basis and as of December 31, 2019, the LCR for PNC and PNC Bank exceeded the requirement of 100%.

We provide additional information regarding regulatory liquidity requirements, including information on the 2019 Tailoring Rules, and their potential impact on us in the Supervision and Regulation section of Item 1 Business and Item 1A Risk Factors of this Report.

**Sources of Liquidity**

Our largest source of liquidity on a consolidated basis is the customer deposit base generated by our banking businesses. These deposits provide relatively stable and low-cost funding. Total deposits increased to $288.5 billion at December 31, 2019 from $267.8 billion at December 31, 2018 driven by growth in interest-bearing deposits partially offset by a decrease in noninterest-bearing deposits. See the Funding Sources section of the Consolidated Balance Sheet Review in this Item 7 for additional information related to our deposits. Additionally, certain assets determined by us to be liquid as well as unused borrowing capacity from a number of sources are also available to manage our liquidity position.

At December 31, 2019, our liquid assets consisted of cash and due from banks and short-term investments (federal funds sold, resale agreements, trading securities and interest-earning deposits with banks) totaling $34.1 billion and securities available for sale totaling $69.2 billion. The level of liquid assets fluctuates over time based on many factors, including market conditions, loan and deposit growth and balance sheet management activities. Our liquid assets included $14.0 billion of securities available for sale and trading securities pledged as collateral to secure public and trust deposits, repurchase agreements and for other purposes. In addition, $.6 billion of securities held to maturity were also pledged as collateral for these purposes.

We also obtain liquidity through various forms of funding, including long-term debt (senior notes, subordinated debt and FHLB borrowings) and short-term borrowings (federal funds purchased, securities sold under repurchase agreements, commercial paper and other short-term borrowings). See Note 10 Borrowed Funds in the Notes To Consolidated Financial Statements in Item 8 and the Funding Sources section of the Consolidated Balance Sheet Review in this Item 7 for additional information related to our borrowings.

Total senior and subordinated debt, on a consolidated basis, increased due to the following activity:

***Table 24: Senior and Subordinated Debt***

| In billions | | 2019 |
|---|---|---|
| January 1 | $ | 30.9 |
| Issuances | | 9.7 |
| Calls and maturities | | (6.3) |
| Other | | .8 |
| December 31 | $ | 35.1 |

**Bank Liquidity**

Under PNC Bank's 2014 bank note program, as amended, PNC Bank may from time to time offer up to $40.0 billion aggregate principal amount outstanding at any one time of its unsecured senior and subordinated notes with maturity dates more than nine months (in the case of senior notes) and five years or more (in the case of subordinated notes) from their date of issue. At December 31, 2019, PNC Bank had $25.0 billion of notes outstanding under this program of which $20.0 billion were senior bank notes and $5.0 billion were subordinated bank notes. The following table details issuances for the three months ended December 31, 2019.

***Table 25: PNC Bank Notes Issued***

| Issuance Date | Amount | Description of Issuance |
|---|---|---|
| October 22, 2019 | $750 million | Subordinated notes with a maturity date of October 22, 2029. Interest is payable semi-annually at a fixed rate of 2.70% per annum, on April 22 and October 22 of each year, beginning April 22, 2020. |
| December 9, 2019 | $750 million | Senior floating rate notes with a maturity date of December 9, 2022. Redeemable in whole, but not in part, on or after December 9, 2021, and in whole or in part on or after November 9, 2022. Interest is payable quarterly, at the 3-month LIBOR rate plus 43 basis points, on March 9, June 9, September 9 and December 9 of each year, beginning March 9, 2020. |
| December 9, 2019 | $650 million | Senior fixed-to-floating rate notes with a maturity date of December 9, 2022. Redeemable in whole, but not in part, on December 9, 2021, and in whole or in part on or after November 9, 2022. From the issue date of the notes to, but excluding, December 9, 2021, interest is payable semi-annually at a fixed rate of 2.028% per annum on December 9 and June 9 of each year, beginning June 9, 2020. Beginning on December 9, 2021, interest is payable quarterly, at the 3-month LIBOR rate, reset quarterly, plus 42 basis points, on March 9, June 9, September 9, and December 9, beginning on March 9, 2022. |

See Note 25 Subsequent Events for information on the February 2020 issuances of $1.0 billion of senior floating rate notes and $500 million of senior fixed-to-floating rate notes by PNC Bank.

PNC Bank maintains additional secured borrowing capacity with the FHLB-Pittsburgh and through the Federal Reserve Bank discount window. The Federal Reserve Bank, however, is not viewed as a primary means of funding our routine business activities, but rather as a potential source of liquidity in a stressed environment or during a market disruption. At December 31, 2019, our unused secured borrowing capacity at the FHLB-Pittsburgh and the Federal Reserve Bank totaled $51.4 billion.

PNC Bank has the ability to offer up to $10.0 billion of its commercial paper to provide additional liquidity. As of December 31, 2019, there were no issuances outstanding under this program.

**Parent Company Liquidity**

In addition to managing liquidity risk at the bank level, we monitor the parent company's liquidity. The parent company's contractual obligations consist primarily of debt service related to parent company borrowings and funding non-bank affiliates. Additionally, the parent company maintains adequate liquidity to fund discretionary activities such as paying dividends to our shareholders, share repurchases and acquisitions.

As of December 31, 2019, available parent company liquidity totaled $6.7 billion. Parent company liquidity is primarily held in intercompany short-term investments, the terms of which provide for the availability of cash in 31 days or less. Investments with longer durations may also be acquired, but if so, the related maturities are aligned with scheduled cash needs, such as the maturity of parent company debt obligations.

The principal source of parent company liquidity is the dividends it receives from PNC Bank, which may be impacted by the following:

- Bank-level capital needs;
- Laws and regulations;
- Corporate policies;
- Contractual restrictions; and
- Other factors.

There are statutory and regulatory limitations on the ability of a national bank to pay dividends or make other capital distributions or to extend credit to the parent company or its non-bank subsidiaries. The amount available for dividend payments by PNC Bank to the parent company without prior regulatory approval was approximately $3.1 billion at December 31, 2019. See Note 18 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of this Report for a further discussion of these limitations.

In addition to dividends from PNC Bank, other sources of parent company liquidity include cash and investments, as well as dividends and loan repayments from other subsidiaries and dividends or distributions from equity investments. We can also generate liquidity for the parent company and PNC's non-bank subsidiaries through the issuance of debt and equity securities, including certain capital instruments, in public or private markets and commercial paper. Authorized by the Board of Directors, the parent company has the ability to offer up to $5.0 billion of commercial paper to provide additional liquidity. As of December 31, 2019 there were no commercial paper issuances outstanding.

The parent company has an effective shelf registration statement pursuant to which we can issue additional debt, equity and other capital instruments. On November 1, 2019, the parent company issued $650 million of senior notes with a maturity date of November 1, 2024, redeemable in whole or in part, on or after October 2, 2024. Interest is payable semi-annually at a fixed rate of 2.20% per

annum, on May 1 and November 1 of each year, beginning May 1, 2020. In addition, see Note 25 Subsequent Events in the Notes To Consolidated Financial Statements in Item 8 of this Report for more information on the January 22, 2020 issuance of $2.0 billion of senior notes by the parent company utilizing this shelf registration statement.

Parent company senior and subordinated debt outstanding totaled $9.8 billion at December 31, 2019 compared with $6.7 billion at December 31, 2018.

**Contractual Obligations and Commitments**

The following tables set forth contractual obligations and various other commitments as of December 31, 2019.

***Table 26: Contractual Obligations***

| | | Payment Due By Period | | | |
|---|---|---|---|---|---|
| December 31, 2019 – in millions | Total | Less than one year | One to three years | Four to five years | After five years |
| Remaining contractual maturities of time deposits | $ 21,663 | $ 18,541 | $ 2,211 | $ 598 | $ 313 |
| Borrowed funds (a) | 60,263 | 27,079 | 16,396 | 5,368 | 11,420 |
| Minimum annual rentals on noncancellable operating leases | 2,425 | 355 | 646 | 501 | 923 |
| Nonqualified pension and postretirement benefits | 453 | 54 | 102 | 94 | 203 |
| Purchase obligations (b) | 973 | 511 | 298 | 129 | 35 |
| Total contractual cash obligations | $ 85,777 | $ 46,540 | $ 19,653 | $ 6,690 | $ 12,894 |

(a) Includes basis adjustment relating to accounting hedges and purchase accounting adjustments.
(b) Includes purchase obligations for goods and services covered by noncancellable contracts and contracts including cancellation fees.

***Table 27: Other Commitments (a)***

| | | Amount Of Commitment Expiration By Period | | | |
|---|---|---|---|---|---|
| December 31, 2019 – in millions | Total Amounts Committed | Less than one year | One to three years | Four to five years | After five years |
| Commitments to extend credit (b) | $ 185,589 | $ 86,126 | $ 44,444 | $ 54,244 | $ 775 |
| Net outstanding standby letters of credit (c) | 9,843 | 4,249 | 3,804 | 1,786 | 4 |
| Reinsurance agreements (d) | 1,393 | 1 | 4 | 6 | 1,382 |
| Standby bond purchase agreements | 1,295 | 425 | 621 | 249 | |
| Other commitments (e) | 1,498 | 1,098 | 301 | 80 | 19 |
| Total commitments | $ 199,618 | $ 91,899 | $ 49,174 | $ 56,365 | $ 2,180 |

(a) Other commitments are funding commitments that could potentially require performance in the event of demands by third parties or contingent events. Loan commitments are reported net of syndications, assignments and participations.
(b) Commitments to extend credit, or net unfunded loan commitments, represent arrangements to lend funds or provide liquidity subject to specified contractual conditions.
(c) Includes $4.1 billion of standby letters of credit that support remarketing programs for customers' variable rate demand notes.
(d) Reinsurance agreements are with third-party insurers related to insurance sold to our customers. Balances represent estimates based on availability of financial information.
(e) Includes other commitments of $.5 billion that were not on our Consolidated Balance Sheet. The remaining $1.0 billion of other commitments were included in Other liabilities on our Consolidated Balance Sheet.

**Credit Ratings**

PNC's credit ratings affect the cost and availability of short and long-term funding, collateral requirements for certain derivative instruments and the ability to offer certain products.

In general, rating agencies base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix, level and quality of earnings, and the current legislative and regulatory environment, including implied government support. A decrease, or potential decrease, in credit ratings could impact access to the capital markets and/or increase the cost of debt, and thereby adversely affect liquidity and financial condition.

*Table 28: Credit Ratings for PNC and PNC Bank*

| | December 31, 2019 | | |
|---|---|---|---|
| | Moody's | Standard & Poor's | Fitch |
| **PNC** | | | |
| Senior debt | A3 | A- | A+ |
| Subordinated debt | A3 | BBB+ | A |
| Preferred stock | Baa2 | BBB- | BBB- |
| **PNC Bank** | | | |
| Senior debt | A2 | A | A+ |
| Subordinated debt | A3 | A- | A |
| Long-term deposits | Aa2 | A | AA- |
| Short-term deposits | P-1 | A-1 | F1+ |
| Short-term notes | P-1 | A-1 | F1 |

**Capital Management**

We manage our funding and capital positions by making adjustments to our balance sheet size and composition, issuing or redeeming debt, issuing equity or other capital instruments, executing treasury stock transactions and capital redemptions or repurchases, and managing dividend policies and retaining earnings.

In 2019, we returned $5.4 billion of capital to shareholders through repurchases of 25.9 million common shares for $3.5 billion and dividends on common shares of $1.9 billion.

We repurchase shares of PNC common stock under share repurchase authorization provided by our Board of Directors in the amount of up to 100 million shares and consistent with capital plans submitted to, and accepted by, the Federal Reserve. Repurchases are made on the open market or in privately negotiated transactions and the extent and timing of share repurchases under authorizations depend on a number of factors including, among others, market and general economic conditions, economic and regulatory capital considerations, alternative uses of capital, the potential impact on our credit ratings, contractual and regulatory limitations, and the results of supervisory assessments of capital adequacy and capital planning processes undertaken by the Federal Reserve and the OCC as part of the CCAR and Dodd-Frank capital stress testing (DFAST) processes.

In relation to the 2018 capital plan accepted by the Federal Reserve, we completed our share repurchase programs for the four quarter period ended June 30, 2019, with total repurchases of 21.4 million shares for $2.8 billion. Of the total repurchased, 11.9 million shares for $1.5 billion occurred in the first two quarters of 2019.

On April 4, 2019, our Board of Directors approved the establishment of a new stock repurchase program authorization in the amount of 100 million shares of PNC common stock, effective July 1, 2019. The previous 2015 authorization was terminated on June 30, 2019.

In connection with the 2019 CCAR process, we submitted our capital plan, as approved by our Board of Directors, to the Federal Reserve in April 2019. The Federal Reserve accepted the capital plan and did not object to our proposed capital actions. As provided for in the 2019 capital plan, we announced new share repurchase programs of up to $4.3 billion for the four quarter period beginning in the third quarter of 2019. In January 2020, we announced an increase to these programs of up to $1.0 billion in additional common share repurchases through the end of the second quarter of 2020. We repurchased 14.0 million common shares for $2.0 billion during the third and fourth quarters of 2019 under this share repurchase program.

The quarterly cash dividend was increased from $.95 to $1.15 per share effective with the August 5, 2019 dividend payment date.

See the Supervision and Regulation section of Item 1 Business in this Report for further information concerning the CCAR and DFAST process and the factors the Federal Reserve takes into consideration in its evaluation of capital plans.

***Table 29: Basel III Capital***

| Dollars in millions | Basel III December 31, 2019 (a) | Pro Forma Basel III (Non-GAAP) (estimated) December 31, 2019 (b) |
|---|---|---|
| **Common equity Tier 1 capital** | | |
| Common stock plus related surplus, net of treasury stock | $ 2,307 | $ 2,307 |
| Retained earnings | 42,215 | 42,215 |
| Accumulated other comprehensive income (loss) for securities currently, and those transferred from, available for sale | 1,067 | |
| Accumulated other comprehensive income (loss) for pension and other postretirement plans | (408) | |
| Goodwill, net of associated deferred tax liabilities | (9,030) | (9,030) |
| Other disallowed intangibles, net of deferred tax liabilities | (224) | (224) |
| Other adjustments/(deductions) | (173) | (168) |
| **Total common equity Tier 1 capital before threshold deductions** | 35,754 | 35,100 |
| Total threshold deductions | (3,276) | |
| **Common equity Tier 1 capital** | $ 32,478 | $ 35,100 |
| **Additional Tier 1 capital** | | |
| Preferred stock plus related surplus | 3,993 | 3,993 |
| Other adjustments/(deductions) | (165) | |
| **Tier 1 capital** | $ 36,306 | $ 39,093 |
| **Additional Tier 2 capital** | | |
| Qualifying subordinated debt | 3,905 | 4,396 |
| Trust preferred capital securities | 60 | 60 |
| Eligible credit reserves includable in Tier 2 capital | 3,060 | 3,060 |
| **Total Basel III capital** | $ 43,331 | $ 46,609 |
| **Risk-weighted assets** | | |
| Basel III standardized approach risk-weighted assets (c) | $ 340,799 | $ 347,805 |
| Basel III advanced approaches risk-weighted assets (d) | $ 318,722 | |
| **Average quarterly adjusted total assets** | $ 397,446 | $ 400,887 |
| **Supplementary leverage exposure** (e) | $ 478,438 | $ 482,161 |
| **Basel III risk-based capital and leverage ratios (f)** | | |
| Common equity Tier 1 | 9.5% | 10.1% |
| Tier 1 | 10.7% | 11.2% |
| Total (g) | 12.7% | 13.4% |
| Leverage (h) | 9.1% | 9.8% |
| Supplementary leverage ratio (i) | 7.6% | 8.1% |

(a) The Basel III Common equity Tier 1 capital, Tier 1 risk-based capital, Leverage and Supplementary ratios as of December 31, 2019 reflect the full phase-in of all Basel III adjustments to these metrics applicable to PNC.

(b) Pro forma Basel III ratios are calculated as if the 2019 Tailoring Rules, and PNC's election to opt-out of the inclusion of certain elements of accumulated other comprehensive income in regulatory capital, had been in effect at December 31, 2019. We believe that the pro forma Basel III ratios are a useful tool to assess the impact to our capital position after adoption of the 2019 Tailoring Rules.

(c) Includes credit and market risk-weighted assets.

(d) Basel III advanced approaches risk-weighted assets are calculated based on the Basel III advanced approaches rules, and include credit, market and operational risk-weighted assets.

(e) Supplementary leverage exposure is the sum of Adjusted average assets and certain off-balance sheet exposures including undrawn credit commitments and derivative potential future exposures.

(f) For comparative purposes only, the advanced approaches Basel III Common equity Tier 1, Tier 1 risk-based and Total risk-based ratios for December 31, 2019 were 10.2%, 11.4% and 12.7%, respectively.

(g) The Basel III Total risk-based capital ratio includes $60 million of nonqualifying trust preferred capital securities that are subject to a phase-out period that runs through 2021.

(h) Leverage ratio is calculated based on Tier 1 capital divided by Average quarterly adjusted total assets.

(i) Supplementary leverage ratio is calculated based on Tier 1 capital divided by Supplementary leverage exposure. PNC and PNC Bank are subject to a 3% minimum supplementary leverage ratio.

PNC's Basel III regulatory risk-based capital ratios are calculated using the standardized approach for determining risk-weighted assets. Under the standardized approach for determining credit risk-weighted assets, exposures are generally assigned a pre-defined risk weight. Exposures to high volatility commercial real estate, past due exposures and equity exposures are generally subject to higher risk weights than other types of exposures.

Under the Basel III rules applicable to PNC during 2019, significant common stock investments in unconsolidated financial institutions (for PNC, primarily BlackRock), mortgage servicing rights and deferred tax assets must be deducted from common equity Tier 1 capital (net of associated deferred tax liabilities) to the extent they individually exceed 10%, or in the aggregate exceed 15%, of the institution's adjusted common equity Tier 1 capital. Also, PNC's Basel III regulatory capital during 2019 includes accumulated other comprehensive income (loss) related to securities currently, and those transferred from, available for sale, as well as pension and other postretirement plans.

As of January 1, 2020, the 2019 Tailoring Rules became effective for all bank holding companies (BHCs) with more than $100 billion in total consolidated assets, including PNC. For PNC, the most significant changes involve the election to exclude specific AOCI items from common equity Tier 1 capital and higher thresholds used to calculate common equity Tier 1 capital deductions. Effective January 1, 2020, PNC must deduct from common equity Tier 1 capital (net of associated deferred tax liabilities) significant investments in unconsolidated financial institutions (for PNC, primarily BlackRock), mortgage servicing rights and deferred tax assets to the extent such items individually exceed 25% of the institution’s adjusted common equity Tier 1 capital. See the Supervision and Regulation section in Item 1 for more detail, and Table 29 for pro forma capital ratios calculated based on if the 2019 Tailoring Rules had been in effect at December 31, 2019.

Federal banking regulators have stated that they expect the largest U.S. BHCs, including PNC, to have a level of regulatory capital well in excess of the regulatory minimum and have required the largest U.S. BHCs, including PNC, to have a capital buffer sufficient to withstand losses and allow them to meet the credit needs of their customers through estimated stress scenarios. We seek to manage our capital consistent with these regulatory principles, and believe that our December 31, 2019 capital levels were aligned with them.

At December 31, 2019, PNC and PNC Bank, our sole bank subsidiary, were both considered “well capitalized,” based on applicable U.S. regulatory capital ratio requirements. To qualify as “well capitalized”, PNC must have Basel III capital ratios of at least 6% for Tier 1 risk-based capital and 10% for Total risk-based capital, and PNC Bank must have Basel III capital ratios of at least 6.5% for Common equity Tier 1 risk-based capital, 8% for Tier 1 risk-based capital, 10% for Total risk-based capital and a Leverage ratio of at least 5%.

We provide additional information regarding regulatory capital requirements, including information on the 2019 Tailoring Rules, and some of their potential impacts on us in the Supervision and Regulation section of Item 1 Business, Item 1A Risk Factors and Note 18 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of this Report. See the Statistical Information (Unaudited) section in Item 8 of this Report for details on our December 31, 2017, 2016, and 2015 Transitional Basel III and Fully Phased-in Basel III Common equity Tier 1 capital ratios.

## Market Risk Management

Market risk is the risk of a loss in earnings or economic value due to adverse movements in market factors such as interest rates, credit spreads, foreign exchange rates, commodity prices and equity prices. We are exposed to market risk primarily by our involvement in the following activities, among others:

- Traditional banking activities of gathering deposits and extending loans;
- Equity and other investments and activities whose economic values are directly impacted by market factors; and
- Fixed income securities, derivatives and foreign exchange activities, as a result of customer activities and securities underwriting.

We have established enterprise-wide policies and methodologies to identify, measure, monitor and report market risk. Market Risk Management provides independent oversight by monitoring compliance with established guidelines and reporting significant risks in the business to the Risk Committee of the Board of Directors.

### Market Risk Management – Interest Rate Risk

Interest rate risk results primarily from our traditional banking activities of gathering deposits and extending loans. Many factors, including economic and financial conditions, movements in interest rates and consumer preferences, affect the difference between the interest that we earn on assets and the interest that we pay on liabilities and the level of our noninterest-bearing funding sources. Due to the repricing term mismatches and embedded options inherent in certain of these products, changes in market interest rates not only affect expected near-term earnings, but also the economic values of these assets and liabilities.

Our Asset and Liability Management group centrally manages interest rate risk as prescribed in our risk management policies, which are approved by management’s Asset and Liability Committee and the Risk Committee of the Board of Directors.

Sensitivity results and market interest rate benchmarks for the fourth quarters of 2019 and 2018 follow.

***Table 30: Interest Sensitivity Analysis***

| | Fourth Quarter 2019 | Fourth Quarter 2018 |
|---|---|---|
| **Net Interest Income Sensitivity Simulation (a)** | | |
| Effect on net interest income in first year from gradual interest rate change over the following 12 months of: | | |
| 100 basis point increase | 1.5 % | 1.7 % |
| 100 basis point decrease | (2.2)% | (2.2)% |
| Effect on net interest income in second year from gradual interest rate change over the preceding 12 months of: | | |
| 100 basis point increase | 3.8 % | 3.7 % |
| 100 basis point decrease | (6.9)% | (6.2)% |
| **Duration of Equity Model (a)** | | |
| Base case duration of equity (in years) | (3.7) | (1.0) |
| **Key Period-End Interest Rates** | | |
| One-month LIBOR | 1.76 % | 2.50 % |
| Three-month LIBOR | 1.91 % | 2.81 % |
| Three-year swap | 1.69 % | 2.59 % |

(a) Given the inherent limitations in certain of these measurement tools and techniques, results become less meaningful as interest rates approach zero.

In addition to measuring the effect on net interest income assuming parallel changes in current interest rates, we routinely simulate the effects of a number of nonparallel interest rate environments. Table 31 reflects the percentage change in net interest income over the next two 12-month periods assuming (i) the PNC Economist's most likely rate forecast, (ii) implied market forward rates and (iii) yield curve slope flattening (a 100 basis point yield curve slope flattening between one-month and ten-year rates superimposed on current base rates) scenario.

All changes in forecasted net interest income are relative to results in a base rate scenario where current market rates are assumed to remain unchanged over the forecast horizon.

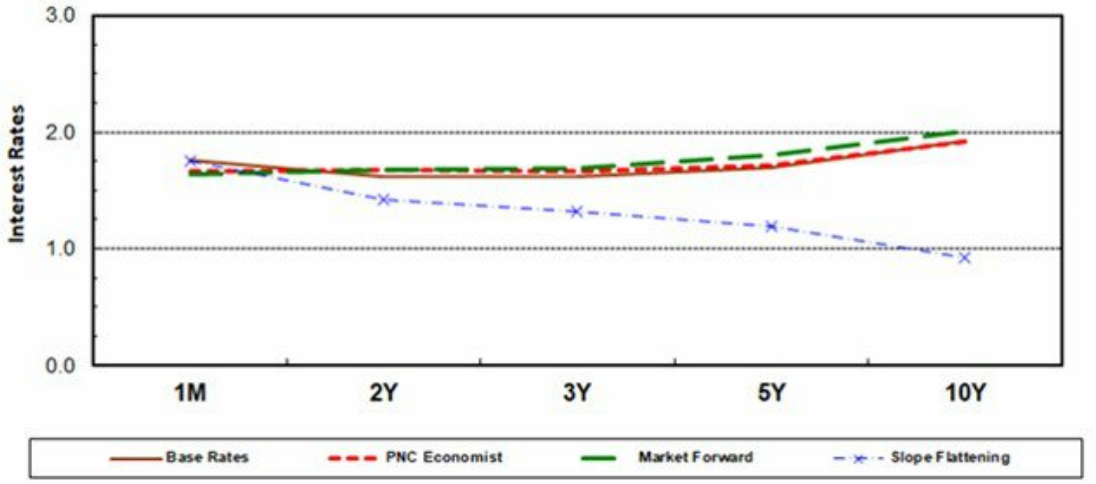
***Table 31: Net Interest Income Sensitivity to Alternative Rate Scenarios***

| | December 31, 2019 | | |
|---|---|---|---|
| | PNC Economist | Market Forward | Slope Flattening |
| First year sensitivity | (.9)% | (.4)% | (1.2)% |
| Second year sensitivity | (1.7)% | .2 % | (5.0)% |

When forecasting net interest income, we make assumptions about interest rates and the shape of the yield curve, the volume and characteristics of new business and the behavior of existing on- and off-balance sheet positions. These assumptions determine the future level of simulated net interest income in the base interest rate scenario and the other interest rate scenarios presented in Tables 30 and 31. These simulations assume that as assets and liabilities mature, they are replaced or repriced at then current market rates.

The following graph presents the LIBOR/Swap yield curves for the base rate scenario and each of the alternate scenarios one year forward.

***Table 32: Alternate Interest Rate Scenarios: One Year Forward***




The fourth quarter 2019 interest sensitivity analyses indicate that our Consolidated Balance Sheet is positioned to benefit from an increase in interest rates and an upward sloping interest rate yield curve. We believe that we have the deposit funding base and balance sheet flexibility to adjust, where appropriate and permissible, to changing interest rates and market conditions.

As discussed in Item 1A Risk Factors, the planned discontinuance of the requirement that banks submit rates for the calculation of LIBOR after 2021 presents risks to the financial instruments originated, held or serviced by PNC that use LIBOR as a reference rate. PNC holds instruments and services its instruments and instruments owned by others that may be impacted by the likely discontinuance of LIBOR, including loans, investments, hedging products, floating-rate obligations, and other financial instruments that use LIBOR as a benchmark rate.

PNC has established a cross functional governance structure to oversee the overall strategy for the transition from LIBOR and mitigate risks associated with the transition. An initial LIBOR impact and risk assessment has been performed, which identified the associated risks across products, systems, models, and processes. PNC is actively monitoring its overall firm-wide exposure to LIBOR and using these results to plan transitional strategies and track progress versus these goals. PNC is also involved in industry discussions, preparing milestones for readiness and assessing progress against those milestones along with developing and delivering on internal and external LIBOR cessation communication plans. The transition from LIBOR as an interest rate benchmark will subject PNC to financial, legal, operational, and reputational risks.

**Market Risk Management – Customer-Related Trading Risk**

We engage in fixed income securities, derivatives and foreign exchange transactions to support our customers' investing and hedging activities. These transactions, related hedges and the credit valuation adjustment related to our customer derivatives portfolio are marked-to-market daily and reported as customer-related trading activities. We do not engage in proprietary trading of these products.

We use value-at-risk (VaR) as the primary means to measure and monitor market risk in customer-related trading activities. VaR is used to estimate the probability of portfolio losses based on the statistical analysis of historical market risk factors. A diversified VaR reflects empirical correlations across different asset classes. We calculate a diversified VaR at a 95% confidence interval and the results for 2019 and 2018 were within our acceptable limits.

To help ensure the integrity of the models used to calculate VaR for each portfolio and enterprise-wide, we use a process known as backtesting. The backtesting process consists of comparing actual observations of gains or losses against the VaR levels that were calculated at the close of the prior day. Our VaR measure assumes that exposures remain constant and that recent market variability is a good predictor of future variability. Actual observations include customer related revenue and intraday hedging which helps to reduce losses and can reduce the number of instances actual losses exceed the prior day VaR measure. There were minimal instances during 2019 and 2018 under our diversified VaR measure where actual losses exceeded the prior day VaR measure and those losses were insignificant. Our portfolio and enterprise-wide VaR models utilize a historical approach with a 500 day look back period.

Customer-related trading revenue was $285 million in 2019 compared with $248 million in 2018 and is recorded in Other noninterest income and Other interest income on our Consolidated Income Statement. The increase was primarily due to higher derivative client sales revenues and improved client related trading results, which was partially offset by lower foreign exchange client revenues.

**Market Risk Management – Equity And Other Investment Risk**

Equity investment risk is the risk of potential losses associated with investing in both private and public equity markets. In addition to extending credit, taking deposits, underwriting securities and trading financial instruments, we make and manage direct investments in a variety of transactions, including management buyouts, recapitalizations and growth financings in a variety of industries. We also have investments in affiliated and non-affiliated funds that make similar investments in private equity. The economic and/or book value of these investments and other assets are directly affected by changes in market factors.

Various PNC business units manage our equity and other investment activities. Our businesses are responsible for making investment decisions within the approved policy limits and associated guidelines.

A summary of our equity investments follows:

***Table 33: Equity Investments Summary***

| Dollars in millions | December 31 2019 | December 31 2018 | Change $ | Change % |
|---|---|---|---|---|
| BlackRock | $ 8,558 | $ 8,016 | $ 542 | 7% |
| Tax credit investments | 2,218 | 2,219 | (1) | — |
| Private equity and other | 2,958 | 2,659 | 299 | 11% |
| Total | $ 13,734 | $ 12,894 | $ 840 | 7% |

BlackRock

We owned approximately 35 million common stock equivalent shares of BlackRock equity at December 31, 2019, accounted for under the equity method. The Business Segments Review section of this Item 7 includes additional information about BlackRock.

Tax Credit Investments

Included in our equity investments are direct tax credit investments and equity investments held by consolidated entities. These tax credit investment balances included unfunded commitments totaling $1.0 billion and $.8 billion at December 31, 2019 and 2018, respectively. These unfunded commitments are included in Other liabilities on our Consolidated Balance Sheet.

Note 2 Loan Sale and Servicing Activities and Variable Interest Entities in the Notes To Consolidated Financial Statements in Item 8 of this Report has further information on tax credit investments.

Private Equity and Other

The majority of our other equity investments consists of our private equity portfolio. The private equity portfolio is an illiquid portfolio consisting of mezzanine and equity investments that vary by industry, stage and type of investment. Private equity investments carried at estimated fair value totaled $1.5 billion at December 31, 2019 and 2018, respectively. As of December 31, 2019, $1.3 billion was invested directly in a variety of companies and $.2 billion was invested indirectly through various private equity funds. See the Supervision and Regulation section in Item 1 of this Report for discussion of the potential impacts of the Volcker Rule on our interests in and of private funds covered by the Volcker Rule.

Included in our other equity investments are Visa Class B common shares, which are recorded at cost. Visa Class B common shares that we own are transferable only under limited circumstances until they can be converted into shares of the publicly-traded Class A common shares, which cannot happen until the resolution of the pending interchange litigation. Based upon the December 31, 2019 per share closing price of $187.90 for a Visa Class A common share, the estimated value of our total investment in the Class B common shares was approximately $1.1 billion at the current conversion rate of Visa B shares to Visa A shares, while our cost basis was not significant. See Note 6 Fair Value and Note 19 Legal Proceedings in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information regarding our Visa agreements. The estimated value does not represent fair value of the Visa B common shares given the shares' limited transferability and the lack of observable transactions in the marketplace.

We also have certain other equity investments, the majority of which represent investments in affiliated and non-affiliated funds with both traditional and alternative investment strategies. Net gains related to these investments were not significant during 2019 and 2018.

**Impact of Inflation**

Our assets and liabilities are primarily financial in nature and typically have varying maturity dates. Accordingly, future changes in prices do not affect the obligations to pay or receive fixed and determinable amounts of money. However, during periods of inflation, there may be a subsequent impact affecting certain fixed costs or expenses, an erosion of consumer and customer purchasing power, and fluctuations in the need or demand for our products and services. Should significant levels of inflation occur, our business could

potentially be impacted by, among other things, reducing our tolerance for extending credit or causing us to incur additional credit losses resulting from possible increased default rates.

**Financial Derivatives**

We use a variety of financial derivatives to both mitigate exposure to market (primarily interest rate) and credit risks inherent in our business activities, as well as to facilitate customer risk management activities. We manage these risks as part of our overall asset and liability management process and through our credit policies and procedures.

Financial derivatives involve, to varying degrees, market and credit risk. Derivatives represent contracts between parties that usually require little or no initial net investment and result in one party delivering cash or another type of asset to the other party based on a notional and an underlying as specified in the contract. Therefore, cash requirements and exposure to credit risk are significantly less than the notional amount on these instruments.

Further information on our financial derivatives is presented in Note 1 Accounting Policies, Note 6 Fair Value and Note 13 Financial Derivatives in the Notes To Consolidated Financial Statements in Item 8 of this Report.

Not all elements of market and credit risk are addressed through the use of financial derivatives, and such instruments may be ineffective for their intended purposes due to unanticipated market changes, among other reasons.

## Operational Risk Management

Operational risk is the risk to the current or projected financial condition and resilience arising from inadequate or failed internal processes or systems, human errors or misconduct, or adverse external events. Operational risk is inherent to the entire organization.

Operational risk management is embedded in our culture and decision-making processes through a systematic approach whereby operational risks and exposures are: 1) identified and assessed; 2) managed through the design and implementation of controls; 3) measured and evaluated against our risk tolerance limits; and 4) appropriately reported to management and the Risk Committee. Strong operational risk management and well-informed risk-based decisions benefit us by improving the customer experience, enhancing compliance, reducing reputational risk, minimizing losses and establishing an appropriate amount of required operational risk capital held by us.

The Operational Risk Management Framework is designed to provide effective and consistent management of operational risk. The primary purpose of the framework is to enable us to understand our operational risks and manage them to the desired risk profile, in line with our Risk Appetite. Additionally, the guidance established within the framework enables management to make well-informed risk-based business decisions.

The framework provides a disciplined and structured process for us to manage operational risk across eight operational risk domains. These domains provide a comprehensive view of operational risk and allow us to discuss operational risk in a standard way, facilitating reporting and ongoing risk mitigation.

The operational risk domains are:

- Operations: Risk resulting from inadequate or failed internal processes, misconduct or errors of people or fraud.
- Compliance: Risk of legal or regulatory sanctions, financial loss, or damage to reputation resulting from failure to comply with laws, regulations, rules, self-regulatory standards, or other regulatory requirements.
- Data Management: Risk associated with incomplete or inaccurate data.
- Model: Risk associated with the design, implementation, and ongoing use and management of a model.
- Technology and Systems: Risk associated with the use, operation, and adoption of technology.
- Information Security: Risk resulting from the failure to protect information and ensure appropriate access to, and use and handling of information assets.
- Business Continuity: Risk of potential disruptive events to business activities.
- Third Party: Risk arising from failure of third party providers to conduct activity in a safe and sound manner and in compliance with contract provisions and applicable laws and regulations.

We utilize operational risk management programs within the framework, including Risk Control and Self-Assessments, scenario analysis, and internal and external loss event review and analysis, to assess existing risks, determine potential/emerging risks and evaluate the effectiveness of internal controls. The program tools and methodology enable our business managers to identify potential risks and control gaps.

Lines of business are responsible for identifying, owning, managing and monitoring the operational risks and controls associated with its business activities and product or service offerings to within acceptable levels. Centralized functions, such as Business Continuity, Enterprise Third Party Management, and Information Security, are responsible for the development, implementation and management

of their individual programs and for the development and maintenance of the policies, procedures, methodologies, tools and technology utilized across the enterprise to identify, assess, monitor and report program risks. Additionally, independent risk management reviews and challenges line of business adherence to the framework to ensure proper controls are in place and appropriate risk mitigation plans are established as necessary.

**Conduct, Reputational and Strategic Risk**

PNC's risk culture seeks to reinforce the appropriate protocols for responsible and ethical behavior through sound processes and controls. In order to promote a robust risk culture, the Board and executive management establish code of conduct and professional standards to which all employees must adhere. A strong risk culture discourages misconduct and supports Conduct Risk management at PNC. Conduct Risk is defined as the risk that employees fail to comply with the ethical standards expected of them. Strong Conduct Risk management is important in supporting PNC's reputation and PNC maintains a corporate culture that emphasizes complying with laws, regulations, and managing reputational risks. Reputational Risk is the risk to the franchise and/or shareholder value based on a negative perception of PNC by its stakeholders and/or the changing expectations of its stakeholders. While managing PNC's reputation preserves PNC's brand value, Strategic Risk is another component of the ERM Framework that is also critical to optimizing shareholder returns. Strategic Risk is the risk to earnings that may arise from adverse business decisions, improper implementation of business decisions and/or inadequate response to changes in the business environment. Strategic Risk is considered and assessed by our businesses in the annual strategic planning processes and monitored on an on-going basis as those plans are carried out.

**Compliance Risk**

Enterprise Compliance is responsible for oversight of compliance risk for the organization. Compliance issues are identified and tracked through enterprise-wide monitoring and testing activities. Compliance risk issues are escalated through a comprehensive risk reporting process at both a business and enterprise level and incorporated, as appropriate, into the development and assessment of our operational risk profile. A management committee, co-chaired by the Chief Compliance Officer and the Chief Bank Secrecy Act (BSA)/Anti-Money Laundering (AML) Officer, is responsible for oversight of compliance and fiduciary risk management programs across PNC. Enterprise Compliance, through the Regulatory Change Program, helps PNC understand and proactively address emerging regulatory topics and risks as well as respond to changes in applicable laws and regulations. To understand emerging issues impacting the industry, Enterprise Compliance communicates regularly with various regulators having supervisory or regulatory responsibilities with respect to us, our subsidiaries, or businesses and participates in forums focused on regulatory and compliance matters in the financial services industry.

**Information Security Risk**

The Information Security component of our Operational Risk Management Framework is responsible for protecting information assets to achieve business objectives, which includes cyber security. PNC's cyber security program is designed to identify risks to sensitive information, protect that information, detect threats and events, and maintain an appropriate response and recovery capability to help ensure resilience against information security incidents. The program includes, among other things, annual security and privacy training for all PNC employees and quarterly phishing exercises to raise employee awareness. Our security program is also regularly examined by federal regulators for compliance with financial regulations and standards. The program also establishes expectations for information asset management, system development security, identity and access management, incident management, threat and vulnerability management, security operations management, and third and fourth party security.

## Critical Accounting Estimates and Judgments

Our consolidated financial statements are prepared by applying certain accounting policies. Note 1 Accounting Policies in the Notes To Consolidated Financial Statements in Item 8 of this Report describes the most significant accounting policies that we use. Certain of these policies require us to make estimates or economic assumptions that may vary under different assumptions or conditions and such variations may significantly affect our reported results and financial position for the period or in future periods.

### Fair Value Measurements

We must use estimates, assumptions and judgments when assets and liabilities are required to be recorded at, or adjusted to reflect, fair value. Assets and liabilities carried at fair value inherently result in a higher degree of financial statement volatility. Fair values and the information used to record valuation adjustments for certain assets and liabilities are based on either quoted market prices or are provided by independent third-party sources, including appraisers and valuation specialists, when available. When such third-party information is not available, we estimate fair value primarily by using cash flow and other financial modeling techniques. Changes in underlying factors, assumptions, or estimates in any of these areas could materially impact our future financial condition and results of operations.

We apply ASC 820 – Fair Value Measurements. This guidance defines fair value as the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the measurement date. This guidance requires a three level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and

liabilities within the hierarchy is based on whether the inputs to the valuation methodology used in the measurement are observable or unobservable. Level 3 assets and liabilities are those where the fair value is estimated using significant unobservable inputs.

For additional information on fair value measurements, see Note 6 Fair Value in the Notes To Consolidated Financial Statements in Item 8 of this Report.

**Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit**

On January 1, 2020 we adopted Accounting Standards Update (ASU) 2016-13 - Credit Losses (CECL). The following discussion refers to our Allowance for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit prior to the adoption. For additional information on our implementation of CECL refer to Note 1 Accounting Policies in Item 8 of this Report.

We maintain the ALLL and the Allowance for Unfunded Loan Commitments and Letters of Credit at levels that we believe to be appropriate to absorb estimated probable credit losses incurred in the loan and lease portfolios and on these unfunded credit facilities as of the balance sheet date. Our determination of the allowances is based on periodic evaluations of the loan and lease portfolios and unfunded credit facilities and other relevant factors. These critical estimates include significant use of our own historical data and complex methods to interpret them. We have an ongoing process to evaluate and enhance the quality, quantity and timeliness of our data and interpretation methods used in the determination of these allowances. These evaluations are inherently subjective, as they require material estimates and may be susceptible to significant change, and include, among others:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default;
- Movement through delinquency stages;
- Amounts and timing of expected future cash flows;
- Value of collateral; and
- Qualitative factors, such as changes in current economic conditions, that may not be reflected in modeled results. For all loans, the ALLL is the sum of three components: (i) asset specific/individual impaired reserves, (ii) quantitative (formulaic or pooled) reserves and (iii) qualitative (judgmental) reserves.

The reserve calculation and determination process is dependent on the use of key assumptions. Key reserve assumptions and estimation processes react to and are influenced by observed changes in loan portfolio performance experience, the financial strength of the borrower, and economic conditions. For unfunded commitments, the reserve estimate also includes estimation of the probability of funding. Key reserve assumptions are periodically updated.

To the extent actual outcomes differ from our estimates, additional provision for credit losses may be required that would reduce future earnings. See the following for additional information:

- Allowances For Loan And Lease Losses And Unfunded Loan Commitments And Letters Of Credit in the Credit Risk Management section of this Item 7; and
- Note 1 Accounting Policies and Note 4 Allowance for Loan and Lease Losses in the Notes To Consolidated Financial Statements and Allocation of Allowance for Loan and Lease Losses in the Statistical Information (Unaudited) section of Item 8 of this Report.

**Residential and Commercial Mortgage Servicing Rights**

We elect to measure our residential and commercial mortgage servicing rights (MSRs) at fair value. This election was made to be consistent with our risk management strategy to hedge changes in the fair value of these assets. The fair value of residential and commercial MSRs is estimated by using a discounted cash flow valuation model which calculates the present value of estimated future net servicing cash flows, taking into consideration actual and expected mortgage loan prepayment rates, discount rates, servicing costs, and other factors which are determined based on current market conditions.

We employ risk management strategies designed to protect the value of MSRs from changes in interest rates and related market factors. The values of the residential and commercial MSRs are economically hedged with securities and derivatives, including interest-rate swaps, options, and forward mortgage-backed and futures contracts. As interest rates change, these financial instruments are expected to have changes in fair value negatively correlated to the change in fair value of the hedged MSR portfolios. The hedge relationships are actively managed in response to changing market conditions over the life of the MSRs. Selecting appropriate financial instruments to economically hedge residential or commercial MSRs requires significant management judgment to assess how mortgage rates and prepayment speeds could affect the future values of MSRs. Hedging results can frequently be less predictable in the short term, but over longer periods of time are expected to protect the economic value of the MSRs.

For additional information on our residential and commercial MSRs, see Note 6 Fair Value and Note 7 Goodwill and Mortgage Servicing Rights in the Notes To Consolidated Financial Statements in Item 8 of this Report.

## Recently Issued Accounting Standards

| Accounting Standards Update (ASU) | Description | Financial Statement Impact |
|---|---|---|
| **Goodwill - ASU 2017-04**<br><br>Issued January 2017 | • Required effective date of January 1, 2020.<br>• Eliminates Step 2 from the goodwill impairment test to simplify the subsequent measurement of goodwill under which a loss was recognized only if the estimated implied fair value of the goodwill is below its carrying value.<br>• Requires impairment to be recognized if the reporting unit's carrying value exceeds the fair value. | • We adopted this standard on January 1, 2020.<br>• We do not expect the adoption of this standard to impact our consolidated results of operations or our consolidated financial position. |

## Recently Adopted Accounting Pronouncements

See Note 1 Accounting Policies in the Notes To Consolidated Financial Statements in Item 8 of this Report regarding the impact of new accounting pronouncements which we have adopted.

## Off-Balance Sheet Arrangements and Variable Interest Entities

We engage in a variety of activities that involve entities that are not consolidated or otherwise reflected in our Consolidated Balance Sheet that are generally referred to as "off-balance sheet arrangements." Additional information on these types of activities is included in the following sections of this Report:

- Contractual Obligations and Commitments included within the Risk Management section of this Item 7; and
- Note 2 Loan Sale and Servicing Activities and Variable Interest Entities;
- Note 10 Borrowed Funds;
- Note 15 Equity; and
- Note 20 Commitments, all of which are in the Notes To Consolidated Financial Statements included in Item 8 of this Report.

A summary and further description of variable interest entities (VIEs) as of December 31, 2019 and 2018 is included in Note 1 Accounting Policies and Note 2 Loan Sale and Servicing and Variable Interest Entities in the Notes To Consolidated Financial Statements included in Item 8 of this Report.

## Trust Preferred Securities

See Note 10 Borrowed Funds in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information on trust preferred securities issued by PNC Capital Trust C including information on contractual limitations potentially imposed on payments (including dividends) with respect to PNC's equity securities.

## Glossary of Terms

Adjusted average total assets – Primarily consisted of total average quarterly (or annual) assets plus/less unrealized losses (gains) on investment securities, less goodwill and certain other intangible assets (net of eligible deferred taxes).

Basel III common equity Tier 1 capital – Common stock plus related surplus, net of treasury stock, plus retained earnings, plus accumulated other comprehensive income for securities currently, and those transferred from, available for sale and pension and other postretirement benefit plans, subject to phase-in limits, less goodwill, net of associated deferred tax liabilities, less other disallowed intangibles, net of deferred tax liabilities and plus/less other adjustments. Significant common stock investments in unconsolidated financial institutions, as well as mortgage servicing rights and deferred tax assets, must then be deducted to the extent such items individually exceed 10%, or in the aggregate exceed 15%, of our adjusted Basel III common equity Tier 1 capital.

Basel III common equity Tier 1 capital ratio – Common equity Tier 1 capital divided by period-end risk-weighted assets (as applicable).

Basel III Tier 1 capital – Common equity Tier 1 capital, plus qualifying preferred stock, plus certain trust preferred capital securities, plus certain noncontrolling interests that are held by others and plus/less other adjustments.

Basel III Tier 1 capital ratio – Tier 1 capital divided by period-end risk-weighted assets (as applicable).

Basel III Total capital – Tier 1 capital plus qualifying subordinated debt, plus certain trust preferred securities, plus, under the Basel III transitional rules and the standardized approach, the allowance for loan and lease losses included in Tier 2 capital and other.

Basel III Total capital ratio – Basel III Total capital divided by period-end risk-weighted assets (as applicable).

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Charge-off – Process of removing a loan or portion of a loan from our balance sheet because it is considered uncollectible. We also record a charge-off when a loan is transferred from portfolio holdings to held for sale by reducing the loan carrying amount to the fair value of the loan, if fair value is less than carrying amount.

Combined loan-to-value ratio (CLTV) – This is the aggregate principal balance(s) of the mortgages on a property divided by its appraised value or purchase price.

Common shareholders' equity – Total shareholders' equity less the liquidation value of preferred stock.

Credit valuation adjustment – Represents an adjustment to the fair value of our derivatives for our own and counterparties' non-performance risk.

Criticized commercial loans – Loans with potential or identified weaknesses based upon internal risk ratings that comply with the regulatory classification definitions of "Special Mention," "Substandard" or "Doubtful."

Discretionary client assets under management – Assets over which we have sole or shared investment authority for our customers/clients. We do not include these assets on our Consolidated Balance Sheet.

Duration of equity – An estimate of the rate sensitivity of our economic value of equity. A negative duration of equity is associated with asset sensitivity (*i.e.*, positioned for rising interest rates), while a positive value implies liability sensitivity (*i.e.*, positioned for declining interest rates). For example, if the duration of equity is -1.5 years, the economic value of equity increases by 1.5% for each 100 basis point increase in interest rates.

Earning assets – Assets that generate income, which include: interest-earning deposits with banks; loans held for sale; loans; investment securities; and certain other assets.

Effective duration – A measurement, expressed in years, that, when multiplied by a change in interest rates, would approximate the percentage change in value of on- and off- balance sheet positions.

Efficiency – Noninterest expense divided by total revenue.

Fair value – The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fee income – Refers to the following categories within Noninterest income: Asset management; Consumer services; Corporate services; Residential mortgage; and Service charges on deposits.

FICO score – A credit bureau-based industry standard score created by Fair Isaac Co. which predicts the likelihood of borrower default. We use FICO scores both in underwriting and assessing credit risk in our consumer lending portfolio. Lower FICO scores indicate likely higher risk of default, while higher FICO scores indicate likely lower risk of default. FICO scores are updated on a periodic basis.

Foreign exchange contracts – Contracts that provide for the future receipt and delivery of foreign currency at previously agreed-upon terms.

Futures and forward contracts – Contracts in which the buyer agrees to purchase and the seller agrees to deliver a specific financial instrument at a predetermined price or yield. May be settled either in cash or by delivery of the underlying financial instrument.

GAAP – Accounting principles generally accepted in the United States of America.

Home price index (HPI) – A broad measure of the movement of single-family house prices in the U.S.

Impaired loans – Loans are determined to be impaired when, based on current information and events, it is probable that all contractually required payments will not be collected. Impaired loans include commercial nonperforming loans and consumer and commercial TDRs, regardless of nonperforming status. Excluded from impaired loans are nonperforming leases, loans held for sale, loans accounted for under the fair value option, smaller balance homogenous type loans and purchased impaired loans.

Interest rate swap contracts – Contracts that are entered into primarily as an asset/liability management strategy to reduce interest rate risk. Interest rate swap contracts are exchanges of interest rate payments, such as fixed-rate payments for floating-rate payments, based on notional principal amounts.

Intrinsic value – The difference between the price, if any, required to be paid for stock issued pursuant to an equity compensation arrangement and the fair market value of the underlying stock.

Leverage ratio – Basel III Tier 1 capital divided by average quarterly adjusted total assets.

LIBOR – Acronym for London InterBank Offered Rate. LIBOR is the average interest rate charged when banks in the London wholesale money market (or interbank market) borrow unsecured funds from each other. LIBOR rates are used as a benchmark for interest rates on a global basis. Our product set includes loans priced using LIBOR as a benchmark.

Loan-to-value ratio (LTV) – A calculation of a loan's collateral coverage that is used both in underwriting and assessing credit risk in our lending portfolio. LTV is the sum total of loan obligations secured by collateral divided by the market value of that same collateral. Market value of the collateral is based on an independent valuation of the collateral. For example, a LTV of less than 90% is better secured and has less credit risk than a LTV of greater than or equal to 90%.

Loss given default (LGD) – An estimate of loss, net of recovery, based on collateral type, collateral value, loan exposure and other factors. Each loan has its own LGD. The LGD risk rating measures the percentage of exposure of a specific credit obligation that we expect to lose if default occurs. LGD is net of recovery, through any means, including but not limited to the liquidation of collateral or deficiency judgments rendered from foreclosure or bankruptcy proceedings.

Nonaccrual loans – Loans for which we do not accrue interest income. Nonaccrual loans include nonperforming loans, in addition to loans accounted for under fair value option and loans accounted for as held for sale for which full collection of contractual principal and/or interest is not probable.

Nondiscretionary client assets under administration – Assets we hold for our customers/clients in a nondiscretionary, custodial capacity. We do not include these assets on our Consolidated Balance Sheet.

Nonperforming assets – Nonperforming assets include nonperforming loans, OREO and foreclosed assets. We do not accrue interest income on assets classified as nonperforming.

Nonperforming loans – Loans accounted for at amortized cost whose credit quality has deteriorated to the extent that full collection of contractual principal and interest is not probable, including TDRs which have not returned to performing status. Interest income is not recognized on nonperforming loans. Nonperforming loans exclude certain government insured or guaranteed loans for which we expect to collect substantially all principal and interest, loans held for sale, loans accounted for under the fair value option and purchased impaired loans. Purchased impaired loans are excluded as we are currently accreting interest income over the expected life of the loans.

Notional amount – A number of currency units, shares or other units specified in a derivative contract.

Operating leverage – The period to period dollar or percentage change in total revenue less the dollar or percentage change in noninterest expense. A positive variance indicates that revenue growth exceeded expense growth (*i.e.*, positive operating leverage) while a negative variance implies expense growth exceeded revenue growth (*i.e.*, negative operating leverage).

Options – Contracts that grant the purchaser, for a premium payment, the right, but not the obligation, to either purchase or sell the associated financial instrument at a set price during a specified period or at a specified date in the future.

Other real estate owned (OREO) and foreclosed assets –Assets taken in settlement of troubled loans primarily through deed-in-lieu of foreclosure or foreclosure. Foreclosed assets include real and personal property. Certain assets that have a government-guarantee which are classified as other receivables are excluded.

Probability of default (PD) – An internal risk rating that indicates the likelihood that a credit obligor will enter into default status.

Recovery – Cash proceeds received on a loan that we had previously charged off. We credit the amount received to the allowance for loan and lease losses.

Risk – The potential that an event or series of events could occur that would threaten our ability to achieve our strategic objectives, thereby negatively affecting shareholder value or reputation.

Risk appetite – A dynamic, forward-looking view on the aggregate amount of risk we are willing and able to take in executing business strategy in light of the current business environment.

Risk limits – Quantitative measures based on forward-looking assumptions that allocate our aggregate risk appetite (*e.g.,* measure of loss or negative events) to business lines, legal entities, specific risk categories, concentrations and as appropriate, other levels.

Risk profile – The risk profile is a point-in-time assessment of risk. The profile represents overall risk position in relation to the desired risk appetite. The determination of the risk profile's position is based on qualitative and quantitative analysis of reported risk limits, metrics, operating guidelines and qualitative assessments.

Risk-weighted assets – Computed by the assignment of specific risk-weights (as defined by the Board of Governors of the Federal Reserve System) to assets and off-balance sheet instruments.

SOFR - Acronym for Secured Overnight Financing Rate. SOFR is a reference rate that is based on overnight transactions in the U.S. Treasury repurchase market.

Servicing rights – An intangible asset or liability created by an obligation to service assets for others. Typical servicing rights include the right to receive a fee for collecting and forwarding payments on loans and related taxes and insurance premiums held in escrow.

Supplementary leverage exposure - The sum of adjusted average assets and certain off-balance sheet exposures, including undrawn credit commitments and derivative potential future exposures.

Supplementary leverage ratio – Basel III Tier 1 capital divided by Supplementary leverage exposure.

Taxable-equivalent interest income – The interest income earned on certain assets that is completely or partially exempt from federal income tax. These tax-exempt instruments typically yield lower returns than taxable investments. To provide more meaningful comparisons of yields and margins for all interest-earning assets, we use interest income on a taxable-equivalent basis in calculating average yields and net interest margins by increasing the interest income earned on tax-exempt assets to make it fully equivalent to interest income earned on other taxable investments. This adjustment is not permitted under GAAP on the Consolidated Income Statement.

Transitional Basel III common equity Tier 1 capital – Common equity Tier 1 capital calculated under Basel III using phased-in definitions and deductions applicable to us during the related presentation period and standardized approach risk-weighted assets.

Troubled debt restructuring (TDR) – A loan whose terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties.

Value-at-risk (VaR) – A statistically-based measure of risk that describes the amount of potential loss which may be incurred due to adverse market movements. The measure is of the maximum loss which should not be exceeded on 95 out of 100 days for a 95% VaR.

Yield curve – A graph showing the relationship between the yields on financial instruments or market indices of the same credit quality with different maturities. For example, a "normal" or "positive" yield curve exists when long-term bonds have higher yields than short-term bonds. A "flat" yield curve exists when yields are the same for short-term and long-term bonds. A "steep" yield curve exists when yields on long-term bonds are significantly higher than on short-term bonds. An "inverted" or "negative" yield curve exists when short-term bonds have higher yields than long-term bonds.

## Cautionary Statement Regarding Forward-Looking Information

We make statements in this Report, and we may from time to time make other statements, regarding our outlook for earnings, revenues, expenses, tax rates, capital and liquidity levels and ratios, asset levels, asset quality, financial position, and other matters regarding or affecting us and our future business and operations that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Forward-looking statements are typically identified by words such as "believe," "plan," "expect," "anticipate," "see," "look," "intend," "outlook," "project," "forecast," "estimate," "goal," "will," "should" and other similar words and expressions.

Forward-looking statements are necessarily subject to numerous assumptions, risks and uncertainties, which change over time. Future events or circumstances may change our outlook and may also affect the nature of the assumptions, risks and uncertainties to which our forward-looking statements are subject. Forward-looking statements speak only as of the date made. We do not assume any duty and do not undertake to update forward-looking statements. Actual results or future events could differ, possibly materially, from those anticipated in forward-looking statements, as well as from historical performance. As a result, we caution against placing undue reliance on any forward-looking statements.

Our forward-looking statements are subject to the following principal risks and uncertainties.

- Our businesses, financial results and balance sheet values are affected by business and economic conditions, including the following:
  - Changes in interest rates and valuations in debt, equity and other financial markets.
  - Disruptions in the U.S. and global financial markets.
  - Actions by the Federal Reserve Board, U.S. Treasury and other government agencies, including those that impact money supply and market interest rates.
  - Changes in customer behavior due to changing business and economic conditions or legislative or regulatory initiatives.
  - Changes in customers', suppliers' and other counterparties' performance and creditworthiness.
  - Impacts of tariffs and other trade policies of the U.S. and its global trading partners.
  - Slowing or reversal of the current U.S. economic expansion.
  - Commodity price volatility.

  Our forward-looking financial statements are subject to the risk that economic and financial market conditions will be substantially different than those we are currently expecting and do not take into account potential legal and regulatory contingencies. These statements are based on our views that:
  - The U.S. economy grew at a solid pace in 2019 albeit more slowly than in 2018. Economic growth is expected to slow noticeably in 2020.
  - Job growth will continue in 2020, but at a slower pace from 2019 due to both difficulty in finding workers and slower economic growth. The unemployment rate is expected to remain near its current level in the near term, but the labor market will remain tight, pushing wages higher and supporting continued gains in consumer spending.
  - Inflation is expected to continue to slow in the near term because of lower commodity prices associated with coronavirus. Inflation is expected to gradually increase in 2021.
  - Our current baseline forecast expects the federal funds rate to remain unchanged in 2020. The federal funds rate is modestly positive for near-term economic growth in its current range of 1.50% to 1.75%.
- Near-term risks are to the downside, including a further softening in the global economy, perhaps due to coronavirus; a further escalation in trade tensions; and geopolitical concerns. The federal funds rate is more likely to end 2020 below its current range than above it. But there are some upside opportunities as well, such as a comprehensive U.S.-China trade deal and stronger labor force growth.
- PNC's ability to take certain capital actions, including returning capital to shareholders, is subject to review by the Federal Reserve Board as part of PNC's comprehensive capital plan for the applicable period in connection with the Federal Reserve Board's Comprehensive Capital Analysis and Review (CCAR) process and to the acceptance of such capital plan and non-objection to such capital actions by the Federal Reserve Board.
- PNC's regulatory capital ratios in the future will depend on, among other things, the company's financial performance, the scope and terms of final capital regulations then in effect and management actions affecting the composition of PNC's balance sheet. In addition, PNC's ability to determine, evaluate and forecast regulatory capital ratios, and to take actions (such as capital distributions) based on actual or forecasted capital ratios, will be dependent at least in part on the development, validation and regulatory review of related models.
- Legal and regulatory developments could have an impact on our ability to operate our businesses, financial condition, results of operations, competitive position, reputation, or pursuit of attractive acquisition opportunities. Reputational impacts could affect matters such as business generation and retention, liquidity, funding, and ability to attract and retain management. These developments could include:
  - Changes to laws and regulations, including changes affecting oversight of the financial services industry, consumer protection, bank capital and liquidity standards, pension, bankruptcy and other industry aspects, and changes in accounting policies and principles.
  - Unfavorable resolution of legal proceedings or other claims and regulatory and other governmental investigations or other inquiries. These matters may result in monetary judgments or settlements or other remedies, including fines, penalties, restitution or alterations in our business practices, and in additional expenses and collateral costs, and may cause reputational harm to PNC.
  - Results of the regulatory examination and supervision process, including our failure to satisfy requirements of agreements with governmental agencies.
  - Impact on business and operating results of any costs associated with obtaining rights in intellectual property claimed by others and of adequacy of our intellectual property protection in general.
- Business and operating results are affected by our ability to identify and effectively manage risks inherent in our businesses, including, where appropriate, through effective use of systems and controls, third-party insurance, derivatives, and capital management techniques, and to meet evolving regulatory capital and liquidity standards.
- Business and operating results also include impacts relating to our equity interest in BlackRock, Inc. and rely to a significant extent on information provided to us by BlackRock. Risks and uncertainties that could affect BlackRock are discussed in more detail by BlackRock in its SEC filings.
- We grow our business in part through acquisitions and new strategic initiatives. Risks and uncertainties include those presented by the nature of the business acquired and strategic initiatives, including in some cases those associated with our

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entry into new businesses or new geographic or other markets and risks resulting from our inexperience in those new areas, as well as risks and uncertainties related to the acquisition transactions themselves, regulatory issues, and the integration of the acquired businesses into PNC after closing.

- Competition can have an impact on customer acquisition, growth and retention and on credit spreads and product pricing, which can affect market share, deposits and revenues. Our ability to anticipate and respond to technological changes can also impact our ability to respond to customer needs and meet competitive demands.
- Business and operating results can also be affected by widespread natural and other disasters, pandemics, dislocations, terrorist activities, system failures, security breaches, cyberattacks or international hostilities through impacts on the economy and financial markets generally or on us or our counterparties specifically.

We provide greater detail regarding these as well as other factors in this Report, including in Item 1A Risk Factors, the Risk Management section of Item 7, and Note 19 Legal Proceedings and Note 20 Commitments in the Notes To Consolidated Financial Statements in Item 8 of this Report. Our forward-looking statements may also be subject to other risks and uncertainties, including those discussed elsewhere in this Report or in our other filings with the SEC.

## ITEM 7A – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This information is set forth in the Risk Management section of Item 7 and in Note 1 Accounting Policies, Note 6 Fair Value and Note 13 Financial Derivatives in the Notes To Consolidated Financial Statements in Item 8 of this Report.

# ITEM 8 – FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of The PNC Financial Services Group, Inc.

***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of The PNC Financial Services Group, Inc. and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2019, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

***Critical Audit Matters***

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

*Valuation of the Allowance for Loan and Lease Losses - Commercial Collectively Evaluated*

As described in Notes 1 and 4 to the consolidated financial statements, the Company maintains the commercial allowance for loan and lease losses ("ALLL") at a level to absorb estimated probable credit losses incurred in the loan and lease portfolio as of the balance sheet date. The allowance for commercial loans collectively evaluated for impairment was approximately $1.7 billion as of December 31, 2019. The commercial lending quantitative component is determined using a statistical loss model, which is dependent upon the use of key assumptions such as management's internal risk ratings reflecting their best estimate of the borrower's probability of default and the loss given default. Management assigns the probability of default and loss given default based upon borrower and transaction characteristics. These statistical parameters are determined based on internal historical data supplemented with third party data and management judgment.

The principal considerations for our determination that performing procedures relating to the valuation of the ALLL - commercial collectively evaluated is a critical audit matter are (i) the valuation involved the application of significant judgment by management, which led to a high degree of auditor subjectivity in performing audit procedures and in evaluating audit evidence related to significant assumptions, including management's risk ratings; (ii) significant audit effort was necessary in performing audit procedures; and (iii) the audit effort involved professionals with specialized skill and knowledge to assist with the evaluation of audit evidence.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the valuation of the ALLL - commercial collectively evaluated, which included controls over the assignment and review of internal risk ratings reflecting management's best estimate of the borrower's probability of default and loss given default. These procedures also included, among others, testing management's process for determining the commercial collectively evaluated allowance by evaluating the appropriateness of the methodology, testing the completeness and accuracy of principal balance data subject to the allowance calculation, and evaluating the reasonableness of significant assumptions, including internal risk ratings. Evaluating the reasonableness of significant assumptions included the involvement of professionals with specialized skill and knowledge to assist in determining whether the internal risk ratings assigned were developed consistently with the Company's defined risk rating criteria for a sample of credit facilities.

*Fair Value of Level 3 Non-Agency Residential Mortgage-Backed Securities Available for Sale*

As described in Note 6 to the consolidated financial statements, the Company accounts for Level 3 non-agency residential mortgage-backed securities available for sale at fair value, which totals approximately $1.7 billion as of December 31, 2019. Management generally estimates fair value using pricing obtained from third-party vendors or, in some cases, using a dealer quote. The third-party vendors use a discounted cash flow approach that incorporates significant unobservable inputs and observable market activity where available. The significant unobservable inputs used to estimate the fair value of the securities are the constant prepayment rate, constant default rate, loss severity and spread over the benchmark curve.

The principal considerations for our determination that performing procedures relating to the fair value of Level 3 non-agency residential mortgage-backed securities available for sale is a critical audit matter are (i) the valuation involved the application of significant judgment by management, which led to a high degree of auditor judgment and subjectivity in performing audit procedures and in evaluating audit evidence related to the fair value of non-agency residential mortgage-backed securities available for sale; (ii) significant audit effort was necessary in performing audit procedures; and (iii) the audit effort involved professionals with specialized skill and knowledge to assist with performing procedures and evaluating audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the fair value of Level 3 non-agency residential mortgage-backed securities, including controls over the price validation of the securities. These procedures also included, among others, obtaining pricing from sources other than those used by management, where available. Additionally, for a sample of securities, professionals with specialized skill and knowledge were involved to assist in developing an independent estimate of fair value using independent assumptions, including the constant prepayment rate, constant default rate, loss severity and spread over the benchmark curve. The independently obtained prices or the independent estimates were compared to management's prices to evaluate the reasonableness of the estimate.

*Fair Value of Residential Mortgage Servicing Rights*

As described in Notes 6 and 7 to the consolidated financial statements, the Company accounts for its residential mortgage servicing rights ("residential MSRs") at fair value, which totals approximately $1.0 billion as of December 31, 2019. Residential MSRs are valued using a discounted cash flow model. The valuation derived from the discounted cash flow methodology is benchmarked for reasonableness by comparison against opinions of value from independent brokers. The significant unobservable inputs related to the valuation of residential MSRs are the constant prepayment rates and the spread over the benchmark curve.

The principal considerations for our determination that performing procedures relating to the fair value of residential mortgage servicing rights is a critical audit matter are (i) the valuation involved the application of significant judgment by management, which led to a high degree of auditor judgment and subjectivity in performing audit procedures and in evaluating audit evidence related to the residential mortgage servicing rights; (ii) significant audit effort was necessary in performing audit procedures; and (iii) the audit effort involved professionals with specialized skill and knowledge to assist with performing procedures and evaluating audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the fair value of residential mortgage servicing rights, including controls over the Company's valuation, as well as the comparison of the valuation to opinions of value from third party independent brokers. These procedures also included, among others, using professionals with specialized skill and knowledge to assist in testing management's process by evaluating the appropriateness of management's valuation methodologies, and the reasonableness of calculations and the significant assumptions of constant prepayment rates and the spread over the benchmark curve.

/s/ PricewaterhouseCoopers LLP
Pittsburgh, Pennsylvania
February 28, 2020

We have served as the Company's auditor since 2007.

## CONSOLIDATED INCOME STATEMENT
THE PNC FINANCIAL SERVICES GROUP, INC.

| In millions, except per share data | Year ended December 31 2019 | 2018 | 2017 |
|---|---|---|---|
| **Interest Income** | | | |
| Loans | $ 10,525 | $ 9,580 | $ 8,238 |
| Investment securities | 2,426 | 2,261 | 1,998 |
| Other | 811 | 741 | 578 |
| Total interest income | 13,762 | 12,582 | 10,814 |
| **Interest Expense** | | | |
| Deposits | 1,986 | 1,229 | 623 |
| Borrowed funds | 1,811 | 1,632 | 1,083 |
| Total interest expense | 3,797 | 2,861 | 1,706 |
| Net interest income | 9,965 | 9,721 | 9,108 |
| **Noninterest Income** | | | |
| Asset management | 1,850 | 1,825 | 1,942 |
| Consumer services | 1,555 | 1,502 | 1,415 |
| Corporate services | 1,914 | 1,849 | 1,742 |
| Residential mortgage | 368 | 316 | 350 |
| Service charges on deposits | 702 | 714 | 695 |
| Other | 1,473 | 1,205 | 1,077 |
| Total noninterest income | 7,862 | 7,411 | 7,221 |
| Total revenue | 17,827 | 17,132 | 16,329 |
| **Provision For Credit Losses** | 773 | 408 | 441 |
| **Noninterest Expense** | | | |
| Personnel | 5,647 | 5,471 | 5,268 |
| Occupancy | 834 | 818 | 868 |
| Equipment | 1,210 | 1,103 | 1,065 |
| Marketing | 301 | 285 | 244 |
| Other | 2,582 | 2,619 | 2,953 |
| Total noninterest expense | 10,574 | 10,296 | 10,398 |
| Income before income taxes and noncontrolling interests | 6,480 | 6,428 | 5,490 |
| Income taxes | 1,062 | 1,082 | 102 |
| Net income | 5,418 | 5,346 | 5,388 |
| Less: Net income attributable to noncontrolling interests | 49 | 45 | 50 |
| Preferred stock dividends | 236 | 236 | 236 |
| Preferred stock discount accretion and redemptions | 4 | 4 | 26 |
| Net income attributable to common shareholders | $ 5,129 | $ 5,061 | $ 5,076 |
| **Earnings Per Common Share** | | | |
| Basic | $ 11.43 | $ 10.79 | $ 10.49 |
| Diluted | $ 11.39 | $ 10.71 | $ 10.36 |
| **Average Common Shares Outstanding** | | | |
| Basic | 447 | 467 | 481 |
| Diluted | 448 | 470 | 486 |

See accompanying Notes To Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
THE PNC FINANCIAL SERVICES GROUP, INC.

| In millions | Year ended December 31 2019 | 2018 | 2017 |
|---|---|---|---|
| **Net income** | $ 5,418 | $ 5,346 | $ 5,388 |
| **Other comprehensive income (loss), before tax and net of reclassifications into Net income:** | | | |
| Net unrealized gains (losses) on non-OTTI securities | 1,465 | (526) | 16 |
| Net unrealized gains (losses) on OTTI securities | 24 | (14) | 172 |
| Net unrealized gains (losses) on cash flow hedge derivatives | 297 | (178) | (287) |
| Pension and other postretirement benefit plan adjustments | 158 | 16 | 169 |
| Other | 22 | (37) | 61 |
| **Other comprehensive income (loss), before tax and net of reclassifications into Net income** | 1,966 | (739) | 131 |
| Income tax benefit (expense) related to items of other comprehensive income | (442) | 156 | (14) |
| **Other comprehensive income (loss), after tax and net of reclassifications into Net income** | 1,524 | (583) | 117 |
| **Comprehensive income** | 6,942 | 4,763 | 5,505 |
| Less: Comprehensive income attributable to noncontrolling interests | 49 | 45 | 50 |
| **Comprehensive income attributable to PNC** | $ 6,893 | $ 4,718 | $ 5,455 |

See accompanying Notes To Consolidated Financial Statements.

## CONSOLIDATED BALANCE SHEET
THE PNC FINANCIAL SERVICES GROUP, INC.

| In millions, except par value | December 31 2019 | December 31 2018 |
|---|---|---|
| **Assets** | | |
| Cash and due from banks | $ 5,061 | $ 5,608 |
| Interest-earning deposits with banks | 23,413 | 10,893 |
| Loans held for sale (a) | 1,083 | 994 |
| Investment securities – available for sale | 69,163 | 63,389 |
| Investment securities – held to maturity | 17,661 | 19,312 |
| Loans (a) | 239,843 | 226,245 |
| Allowance for loan and lease losses | (2,742) | (2,629) |
| Net loans | 237,101 | 223,616 |
| Equity investments (b) | 13,734 | 12,894 |
| Mortgage servicing rights | 1,644 | 1,983 |
| Goodwill | 9,233 | 9,218 |
| Other (a) | 32,202 | 34,408 |
| Total assets | $ 410,295 | $ 382,315 |
| **Liabilities** | | |
| Deposits | | |
| Noninterest-bearing | $ 72,779 | $ 73,960 |
| Interest-bearing | 215,761 | 193,879 |
| Total deposits | 288,540 | 267,839 |
| Borrowed funds | | |
| Federal Home Loan Bank borrowings | 16,341 | 21,501 |
| Bank notes and senior debt | 29,010 | 25,018 |
| Subordinated debt | 6,134 | 5,895 |
| Other (c) | 8,778 | 5,005 |
| Total borrowed funds | 60,263 | 57,419 |
| Allowance for unfunded loan commitments and letters of credit | 318 | 285 |
| Accrued expenses and other liabilities | 11,831 | 9,002 |
| Total liabilities | 360,952 | 334,545 |
| **Equity** | | |
| Preferred stock (d) | | |
| Common stock ($5 par value, Authorized 800 shares, issued 542 shares) | 2,712 | 2,711 |
| Capital surplus | 16,369 | 16,277 |
| Retained earnings | 42,215 | 38,919 |
| Accumulated other comprehensive income (loss) | 799 | (725) |
| Common stock held in treasury at cost: 109 and 85 shares | (12,781) | (9,454) |
| Total shareholders' equity | 49,314 | 47,728 |
| Noncontrolling interests | 29 | 42 |
| Total equity | 49,343 | 47,770 |
| Total liabilities and equity | $ 410,295 | $ 382,315 |

(a) Our consolidated assets included the following for which we have elected the fair value option: Loans held for sale of $1.1 billion, Loans of $.7 billion, and Other assets of $.1 billion at December 31, 2019 and Loans held for sale of $.9 billion, Loans of $.8 billion, and Other assets of $.2 billion at December 31, 2018.
(b) Amounts include our equity investment in BlackRock.
(c) Our consolidated liabilities included Other borrowed funds of $.1 billion at both December 31, 2019 and 2018, for which we have elected the fair value option.
(d) Par value less than $.5 million at each date.

See accompanying Notes To Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

THE PNC FINANCIAL SERVICES GROUP, INC.

| In millions | Shares Outstanding Common Stock | Shareholders' Equity | | | | | | Noncontrolling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| | | Common Stock | Capital Surplus - Preferred Stock | Capital Surplus - Common Stock and Other | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | | |
| Balance at December 31, 2016 (a) | 485 | $ 2,709 | $ 3,977 | $ 12,674 | $ 31,670 | $ (265) | $ (5,066) | $ 1,155 | $ 46,854 |
| Net income | | | | | 5,338 | | | 50 | 5,388 |
| Other comprehensive income (loss), net of tax | | | | | | 117 | | | 117 |
| Cash dividends declared | | | | | | | | | |
| Common | | | | | (1,266) | | | | (1,266) |
| Preferred | | | | | (236) | | | | (236) |
| Preferred stock discount accretion | | | 6 | | (6) | | | | |
| Redemption of noncontrolling interests (b) | | | | | (19) | | | (981) | (1,000) |
| Common stock activity (c) | | 1 | | 17 | | | | | 18 |
| Treasury stock activity | (12) | | | (309) | | | (1,838) | | (2,147) |
| Other | | | 2 | 7 | | | | (152) | (143) |
| Balance at December 31, 2017 (a) | 473 | $ 2,710 | $ 3,985 | $ 12,389 | $ 35,481 | $ (148) | $ (6,904) | $ 72 | $ 47,585 |
| Cumulative effect of ASU adoptions (d) | | | | | (22) | 6 | | | (16) |
| Balance at January 1, 2018 (a) | 473 | $ 2,710 | $ 3,985 | $ 12,389 | $ 35,459 | $ (142) | $ (6,904) | $ 72 | $ 47,569 |
| Net income | | | | | 5,301 | | | 45 | 5,346 |
| Other comprehensive income (loss), net of tax | | | | | | (583) | | | (583) |
| Cash dividends declared | | | | | | | | | |
| Common | | | | | (1,601) | | | | (1,601) |
| Preferred | | | | | (236) | | | | (236) |
| Preferred stock discount accretion | | | 4 | | (4) | | | | |
| Common stock activity (c) | | 1 | | 19 | | | | | 20 |
| Treasury stock activity | (16) | | | (101) | | | (2,550) | | (2,651) |
| Other | | | (3) | (16) | | | | (75) | (94) |
| Balance at December 31, 2018 (a) | 457 | $ 2,711 | $ 3,986 | $ 12,291 | $ 38,919 | $ (725) | $ (9,454) | $ 42 | $ 47,770 |
| Cumulative effect of ASU adoptions (e) | | | | | 62 | | | | 62 |
| Balance at January 1, 2019 (a) | 457 | $ 2,711 | $ 3,986 | $ 12,291 | $ 38,981 | $ (725) | $ (9,454) | $ 42 | $ 47,832 |
| Net income | | | | | 5,369 | | | 49 | 5,418 |
| Other comprehensive income (loss), net of tax | | | | | | 1,524 | | | 1,524 |
| Cash dividends declared | | | | | | | | | |
| Common | | | | | (1,895) | | | | (1,895) |
| Preferred | | | | | (236) | | | | (236) |
| Preferred stock discount accretion | | | 4 | | (4) | | | | |
| Common stock activity (c) | | 1 | | 20 | | | | | 21 |
| Treasury stock activity | (24) | | | 3 | | | (3,327) | | (3,324) |
| Other | | | 3 | 62 | | | | (62) | 3 |
| Balance at December 31, 2019 (a) | 433 | $ 2,712 | $ 3,993 | $ 12,376 | $ 42,215 | $ 799 | $ (12,781) | $ 29 | $ 49,343 |

(a) The par value of our preferred stock outstanding was less than $.5 million at each date and, therefore, is excluded from this presentation.

(b) Relates to the redemption of Perpetual Trust Securities in the first quarter of 2017. See Note 15 in our 2017 Annual Report on Form 10-K for additional information.

(c) Common stock activity totaled less than .5 million shares issued.

(d) Represents the cumulative effect of adopting ASU 2014-09, ASU 2016-01, ASU 2017-12 and ASU 2018-02. See the Recently Adopted Accounting Standards portion of Note 1 Accounting Policies in our 2018 Form 10-K for additional detail on the adoption of these ASUs.

(e) Represents the impact of the adoption of ASU 2016-02 related primarily to deferred gains on previous sale-leaseback transactions. See the Recently Adopted Accounting Standards portion of Note 1 Accounting Policies for additional detail.

See accompanying Notes To Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS
THE PNC FINANCIAL SERVICES GROUP, INC.

| In millions | Year ended December 31 2019 | 2018 | 2017 |
|---|---|---|---|
| **Operating Activities** | | | |
| Net income | $ 5,418 | $ 5,346 | $ 5,388 |
| Adjustments to reconcile net income to net cash provided (used) by operating activities | | | |
| Provision for credit losses | 773 | 408 | 441 |
| Depreciation and amortization | 1,315 | 1,129 | 1,117 |
| Deferred income taxes | 303 | 133 | (403) |
| Changes in fair value of mortgage servicing rights | 645 | 172 | 323 |
| Undistributed earnings of BlackRock | (531) | (525) | (727) |
| Net change in | | | |
| Trading securities and other short-term investments | 560 | (893) | 305 |
| Loans held for sale | (123) | 1,635 | (1,148) |
| Other assets | (788) | 108 | 647 |
| Accrued expenses and other liabilities | 132 | 295 | (704) |
| Other | (341) | 32 | 340 |
| Net cash provided (used) by operating activities | $ 7,363 | $ 7,840 | $ 5,579 |
| **Investing Activities** | | | |
| Sales | | | |
| Securities available for sale | $ 7,755 | $ 7,505 | $ 5,647 |
| Loans | 1,664 | 1,323 | 2,001 |
| Repayments/maturities | | | |
| Securities available for sale | 11,974 | 9,388 | 10,734 |
| Securities held to maturity | 3,348 | 2,447 | 2,948 |
| Purchases | | | |
| Securities available for sale | (23,739) | (23,418) | (13,605) |
| Securities held to maturity | (1,751) | (3,370) | (5,605) |
| Loans | (1,027) | (690) | (841) |
| Net change in | | | |
| Federal funds sold and resale agreements | 4,899 | (5,837) | (245) |
| Interest-earning deposits with banks | (12,520) | 17,702 | (2,884) |
| Loans | (14,963) | (7,335) | (10,483) |
| Net cash (paid for) received from acquisition and divestiture activity | 75 | | (1,342) |
| Other | (705) | (1,684) | (1,220) |
| Net cash provided (used) by investing activities | $ (24,990) | $ (3,969) | $ (14,895) |

(continued on following page)

# CONSOLIDATED STATEMENT OF CASH FLOWS

THE PNC FINANCIAL SERVICES GROUP, INC.

(continued from previous page)

| In millions | Year ended December 31 2019 | 2018 | 2017 |
|---|---|---|---|
| **Financing Activities** | | | |
| Net change in | | | |
| Noninterest-bearing deposits | $ (1,166) | $ (6,016) | $ (264) |
| Interest-bearing deposits | 21,882 | 8,690 | 8,255 |
| Federal funds purchased and repurchase agreements | 4,260 | 392 | (148) |
| Federal Home Loan Bank borrowings | 4,800 | 1,500 | |
| Commercial paper | | (100) | 100 |
| Other borrowed funds | (495) | 20 | 459 |
| Sales/issuances | | | |
| Federal Home Loan Bank borrowings | 12,040 | 9,500 | 11,000 |
| Bank notes and senior debt | 8,977 | 3,238 | 7,062 |
| Subordinated debt | 744 | 1,243 | |
| Other borrowed funds | 1,131 | 500 | 427 |
| Preferred stock | | | |
| Common and treasury stock | 90 | 69 | 132 |
| Repayments/maturities | | | |
| Federal Home Loan Bank borrowings | (22,000) | (10,536) | (7,512) |
| Bank notes and senior debt | (5,600) | (6,175) | (1,800) |
| Subordinated debt | (700) | (575) | (2,758) |
| Other borrowed funds | (1,174) | (548) | (318) |
| Redemption of noncontrolling interests | | | (1,000) |
| Acquisition of treasury stock | (3,578) | (2,877) | (2,447) |
| Preferred stock cash dividends paid | (236) | (236) | (236) |
| Common stock cash dividends paid | (1,895) | (1,601) | (1,266) |
| Net cash provided (used) by financing activities | $ 17,080 | $ (3,512) | $ 9,686 |
| **Net Increase (Decrease) In Cash And Due From Banks** | $ (547) | $ 359 | $ 370 |
| Cash and due from banks at beginning of period | 5,608 | 5,249 | 4,879 |
| Cash and due from banks at end of period | $ 5,061 | $ 5,608 | $ 5,249 |
| **Supplemental Disclosures** | | | |
| Interest paid | $ 3,742 | $ 2,835 | $ 1,743 |
| Income taxes paid | $ 430 | $ 372 | $ 72 |
| Income taxes refunded | $ 17 | $ 468 | $ 24 |
| Leased assets obtained in exchange for new operating lease liabilities | $ 317 | | |
| Right-of-use assets recognized at adoption of ASU 2016-02 | $ 2,004 | | |
| **Non-cash Investing and Financing Items** | | | |
| Transfer from loans to loans held for sale, net | $ 958 | $ 403 | $ 419 |
| Transfer from loans to foreclosed assets | $ 174 | $ 193 | $ 215 |
| Transfer from trading securities to available for sale securities | $ 328 | | $ 192 |

See accompanying Notes To Consolidated Financial Statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE PNC FINANCIAL SERVICES GROUP, INC.

## BUSINESS

The PNC Financial Services Group, Inc. (PNC) is one of the largest diversified financial services companies in the United States (U.S.) and is headquartered in Pittsburgh, Pennsylvania.

We have businesses engaged in retail banking, including residential mortgage, corporate and institutional banking and asset management, providing many of our products and services nationally. Our retail branch network is located primarily in markets across the Mid-Atlantic, Midwest and Southeast. We also have strategic international offices in four countries outside the U.S.

## NOTE 1 ACCOUNTING POLICIES

### Basis of Financial Statement Presentation

Our consolidated financial statements include the accounts of the parent company and its subsidiaries, most of which are wholly-owned, certain partnership interests, and variable interest entities.

We prepared these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). We have eliminated intercompany accounts and transactions.

We have also considered the impact of subsequent events on these consolidated financial statements.

### Use of Estimates

We prepared these consolidated financial statements using financial information available at the time of preparation, which requires us to make estimates and assumptions that affect the amounts reported. Our most significant estimates pertain to our fair value measurements and allowances for loan and lease losses and unfunded loan commitments and letters of credit. Actual results may differ from the estimates and the differences may be material to the consolidated financial statements.

### Investment in BlackRock, Inc.

We account for our investment in the common stock and Series B Preferred Stock of BlackRock (deemed to be in-substance common stock) under the equity method of accounting. The investment in BlackRock is reflected on our Consolidated Balance Sheet in Equity investments, while our equity in earnings of BlackRock is reported on our Consolidated Income Statement in Asset management noninterest income.

### Variable Interest Entities

A variable interest entity (VIE) is a corporation, partnership, limited liability company, or any other legal structure used to conduct activities or hold assets generally that either:

- Does not have equity investors with voting rights that can directly or indirectly make decisions about the entity's activities through those voting rights or similar rights; or
- Has equity investors that do not provide sufficient equity for the entity to finance its activities without additional subordinated financial support.

A VIE often holds financial assets, including loans or receivables, real estate or other property.

VIEs are assessed for consolidation under ASC 810 – Consolidation when we hold a variable interest in these entities. We consolidate a VIE if we are its primary beneficiary. The primary beneficiary of a VIE is determined to be the party that meets both of the following criteria: (i) has the power to make decisions that most significantly affect the economic performance of the VIE; and (ii) has the obligation to absorb losses or the right to receive benefits that in either case could potentially be significant to the VIE. Upon consolidation of a VIE, we recognize all of the VIE's assets, liabilities and noncontrolling interests on our Consolidated Balance Sheet. On a quarterly basis, we determine whether any changes occurred requiring a reassessment of whether we are the primary beneficiary of an entity.

See Note 2 Loan Sale and Servicing Activities and Variable Interest Entities for information about VIEs that we consolidate as well as those that we do not consolidate but in which we hold a significant variable interest.

## Revenue Recognition

We earn interest and noninterest income from various sources, including:

- Lending;
- Securities portfolio;
- Asset management;
- Customer deposits;
- Loan sales, loan securitizations, and servicing;
- Brokerage services;
- Sale of loans and securities;
- Certain private equity activities; and
- Securities, derivatives and foreign exchange activities.

In addition, we earn fees and commissions from:

- Issuing loan commitments, standby letters of credit and financial guarantees;
- Deposit account services;
- Merchant services;
- Selling various insurance products;
- Providing treasury management services;
- Providing merger and acquisition advisory and related services;
- Debit and credit card transactions; and
- Participating in certain capital markets transactions.

Our Asset management noninterest income also includes our share of the earnings of BlackRock recognized under the equity method of accounting.

Service charges on deposit accounts are recognized when earned. Brokerage fees and gains and losses on the sale of securities and certain derivatives are recognized on a trade-date basis.

We record private equity income or loss based on changes in the valuation of the underlying investments or when we dispose of our interest.

We recognize gain/(loss) on changes in the fair value of certain financial instruments where we have elected the fair value option. These financial instruments include certain commercial and residential mortgage loans originated for sale, certain residential mortgage portfolio loans and resale agreements. We also recognize gain/(loss) on changes in the fair value of residential and commercial mortgage servicing rights (MSRs).

We recognize revenue from servicing residential mortgages, commercial mortgages and other consumer loans for others as earned based on the specific contractual terms. These revenues are reported on the Consolidated Income Statement in the line items Residential mortgage, Corporate services and Consumer services. We recognize revenue from securities, derivatives and foreign exchange customer-related trading, as well as securities underwriting activities, as these transactions occur or as services are provided. We generally recognize gains from the sale of loans upon meeting the derecognition criteria for transfers of financial assets. Mortgage revenue recognized is reported net of mortgage repurchase reserves.

For the fee-based revenue within the scope of ASC Topic 606 - *Revenue from Contracts with Customers*, revenue is recognized when or as those services are transferred to the customer. See Note 23 Fee-Based Revenue from Contracts with Customers for additional information related to revenue within the scope of Topic 606.

## Cash and Cash Equivalents

Cash and due from banks are considered cash and cash equivalents for financial reporting purposes because they represent a primary source of liquidity.

## Investments

We hold interests in various types of investments. The accounting for these investments is dependent on a number of factors including, but not limited to, items such as:

- Ownership interest;
- Our plans for the investment; and
- The nature of the investment.

## Debt Securities

Debt securities are recorded on a trade-date basis. We classify debt securities as held to maturity and carry them at amortized cost if we have the positive intent and ability to hold the securities to maturity. Debt securities that we purchase for certain risk management activities or customer-related trading activities are carried at fair value and classified as trading securities and are reported in the Other assets line item on our Consolidated Balance Sheet. Realized and unrealized gains and losses on trading securities are included in Other noninterest income.

Debt securities not classified as held to maturity or trading are designated as securities available for sale and carried at fair value with unrealized gains and losses, net of income taxes, reflected in Accumulated other comprehensive income (AOCI).

On at least a quarterly basis, we review all debt securities that are in an unrealized loss position for other than temporary impairment (OTTI). An investment security is deemed impaired if the fair value of the investment is less than its amortized cost. Amortized cost includes adjustments (if any) made to the cost basis of an investment for accretion, amortization, previous other-than-temporary impairments and hedging gains and losses. After an investment security is determined to be impaired, we evaluate whether the decline in value is other-than-temporary. Declines in the fair value of available for sale and held to maturity debt securities that are deemed other-than-temporary and are attributable to credit deterioration are recognized in Other noninterest income on our Consolidated Income Statement in the period in which the determination is made. Declines in fair value which are deemed other-than-temporary and attributable to factors other than credit deterioration are recognized in AOCI on our Consolidated Balance Sheet.

We include all interest on debt securities, including amortization of premiums and accretion of discounts on investment securities, in net interest income using the constant effective yield method generally calculated over the contractual lives of the securities. Effective yields reflect either the effective interest rate implicit in the security at the date of acquisition or the effective interest rate determined based on improved cash flows subsequent to impairment. We compute gains and losses realized on the sale of available for sale debt securities on a specific security basis. These securities gains/(losses) are included in Other noninterest income on the Consolidated Income Statement.

## Equity Securities and Partnership Interests

We account for equity securities, equity investments other than BlackRock, private equity investments, and investments in limited partnerships, limited liability companies and other investments that are not required to be consolidated under one of the following methods:

- We use the equity method for general and limited partner ownership interests and limited liability companies in which we are considered to have significant influence over the operations of the investee. Under the equity method, we record our equity ownership share of net income or loss of the investee in Noninterest income and any dividends received on equity method investments are recorded as a reduction to the investment balance. When an equity investment experiences an other-than-temporary decline in value, we may be required to record a loss on the investment.
- We measure equity securities that have a readily determinable fair value at fair value through Net income. Both realized and unrealized gains and losses are included in Noninterest income. Dividend income on these equity securities is included in Other interest income on our Consolidated Income Statement.
- We generally use the practicability exception to fair value measurement for all other investments without a readily determinable fair value. When we elect this alternative measurement method, the carrying value is adjusted for impairment, if any, plus or minus changes in value resulting from observable price changes in orderly transactions for identical or similar instruments of the same issuer. These investments are written down to fair value if a qualitative assessment indicates impairment and the fair value is less than the carrying value. The amount of the write-down is accounted for as a loss included in Noninterest income. Distributions received on these investments are included in Noninterest income.

Investments described above are included in Equity investments on our Consolidated Balance Sheet.

## Private Equity Investments

We report private equity investments, which include direct investments in companies, affiliated partnership interests and indirect investments in private equity funds, at estimated fair value. These estimates are based on available information and may not necessarily represent amounts that we will ultimately realize through distribution, sale or liquidation of the investments. Fair values of publicly-traded direct investments are determined using quoted market prices and are subject to various discount factors arising from security level restrictions, when appropriate. The valuation procedures applied to direct investments and indirect investments are detailed in Note 6 Fair Value. We include all private equity investments within Equity investments on our Consolidated Balance Sheet. Changes in fair value of private equity investments are recognized in Other noninterest income.

We consolidate affiliated partnerships when we have determined that we have control of the partnership or are the primary beneficiary if the entity is a VIE. The portion we do not own is reflected in Noncontrolling interests on our Consolidated Balance Sheet.

## Loans

Loans are classified as held for investment when management has both the intent and ability to hold the loan for the foreseeable future, or until maturity or payoff. Management's intent and view of the foreseeable future may change based on changes in business strategies, the economic environment, market conditions and the availability of government programs.

Measurement of delinquency status is based on the contractual terms of each loan. Loans that are 30 days or more past due in terms of payment are considered delinquent.

Except as described below, loans held for investment are stated at recorded investment, which represents the principal amounts outstanding, net of unearned income, unamortized deferred fees and costs on originated loans, and premiums or discounts on purchased loans. Interest on performing loans (excluding interest on purchased impaired loans, which is further discussed below) is accrued based on the principal amount outstanding and recorded in Interest income as earned using the constant effective yield method. Loan origination fees, direct loan origination costs, and loan premiums and discounts are deferred and accreted or amortized into Net interest income using the constant effective yield method, over the contractual life of the loan.

In addition to originating loans, we also acquire loans through portfolio purchases or acquisitions of other financial services companies. For certain acquired loans that have experienced a deterioration of credit quality, we follow the guidance contained in ASC 310-30 – Loans and Debt Securities Acquired with Deteriorated Credit Quality. Under this guidance, acquired purchased impaired loans are to be recorded at fair value without the carryover of any existing valuation allowances. When evidence of credit quality deterioration and evidence that it is probable that we will be unable to collect all contractual amounts due exist, we consider the loans to be purchased credit impaired and we estimate the amount and timing of undiscounted expected cash flows at acquisition for each loan either individually or on a pool basis. The excess of undiscounted cash flows expected to be collected on a purchased impaired loan (or pool of loans) over its carrying value represents the accretable yield which is recognized into interest income over the remaining life of the loan (or pool of loans) using the constant effective yield method. Subsequent decreases in expected cash flows that are attributable, at least in part, to credit quality are recognized as impairments through a charge to the provision for credit losses resulting in an increase in the Allowance for Loan and Lease Losses (ALLL). Subsequent increases in expected cash flows are recognized as a provision recapture of previously recorded ALLL or prospectively through an adjustment of the loan's or pool's yield over its remaining life.

## Loans Held for Sale

We designate loans as held for sale when we have the intent to sell them. We transfer loans to the Loans held for sale category at the lower of cost or estimated fair value less cost to sell. At the time of transfer, write-downs on the loans are recorded as charge-offs. We establish a new cost basis upon transfer. Any subsequent lower-of-cost-or-market adjustment is determined on an individual loan basis and is recognized as a valuation allowance with any charges included in Other noninterest income.

We have elected to account for certain commercial and residential mortgage loans held for sale at fair value. The changes in the fair value of the commercial mortgage loans are measured and recorded in Other noninterest income while the residential mortgage loans are measured and recorded in Residential mortgage noninterest income each period. See Note 6 Fair Value for additional information.

Interest income with respect to loans held for sale is accrued based on the principal amount outstanding and the loan's contractual interest rate.

In certain circumstances, loans designated as held for sale may be transferred to held for investment based on a change in strategy. We transfer these loans at the lower of cost or estimated fair value; however, any loans originated or purchased for held for sale and designated at fair value remain at fair value for the life of the loan.

## Leases

We provide financing for various types of equipment, including aircraft, energy and power systems, and vehicles through a variety of lease arrangements. Direct financing leases are carried at the aggregate of lease payments plus estimated residual value of the leased equipment, less unearned income. Leveraged leases, a form of financing leases, are carried net of nonrecourse debt. We recognize income over the term of the lease using the constant effective yield method. Lease residual values are reviewed for impairment at least annually. Gains or losses on the sale of leased assets are included in Other noninterest income while valuation adjustments on lease residuals are included in Other noninterest expense.

We adopted Accounting Standards Update (ASU) 2016-02 – Leases as of January 1, 2019 and recognized lease liabilities and right-of-use (ROU) assets of $2.1 billion and $2.0 billion, respectively. In addition, we recognized a one-time pre-tax adjustment of $83 million to retained earnings, related primarily to deferred gains on previous sale-leaseback transactions.

**Loan Sales, Loan Securitizations and Retained Interests**

We recognize the sale of loans or other financial assets when the transferred assets are legally isolated from our creditors and the appropriate accounting criteria are met. We have sold mortgage and other loans through securitization transactions. In a securitization, financial assets are transferred into trusts or to special purpose entities (SPEs) in transactions to effectively legally isolate the assets from us.

In a securitization, the trust or SPE issues beneficial interests in the form of senior and subordinated securities backed or collateralized by the assets sold to the trust. The senior classes of the asset-backed securities typically receive investment grade credit ratings at the time of issuance. These ratings are generally achieved through the creation of lower-rated subordinated classes of asset-backed securities, as well as subordinated or residual interests. In certain cases, we may retain a portion or all of the securities issued, interest-only strips, one or more subordinated tranches, servicing rights and, in some cases, cash reserve accounts. Securitized loans are removed from the balance sheet and a net gain or loss is recognized in Noninterest income at the time of initial sale. Gains or losses recognized on the sale of the loans depend on the fair value of the loans sold and the retained interests at the date of sale. We generally estimate the fair value of the retained interests based on the present value of future expected cash flows using assumptions as to discount rates, interest rates, prepayment speeds, credit losses and servicing costs, if applicable.

With the exception of loan sales to certain U.S. government-chartered entities, our loan sales and securitizations are generally structured without recourse to us except for representations and warranties and with no restrictions on the retained interests. We originate, sell and service commercial mortgage loans under the Federal National Mortgage Association (FNMA) Delegated Underwriting and Servicing (DUS) program. Under the provisions of the DUS program, we participate in a loss-sharing arrangement with FNMA. When we are obligated for loss-sharing or recourse, our policy is to record such liabilities initially at fair value and subsequently reserve for estimated losses in accordance with guidance contained in applicable GAAP.

## Nonperforming Loans and Leases

The matrix below summarizes our policies for classifying certain loans as nonperforming loans and/or discontinuing the accrual of loan interest income.

| Commercial Lending | |
|---|---|
| **Loans Classified as Nonperforming and Accounted for as Nonaccrual** | • Loans accounted for at amortized cost where:<br>– The loan is 90 days or more past due.<br>– The loan is rated substandard or worse due to the determination that full collection of principal and interest is not probable as demonstrated by the following conditions:<br>• The collection of principal or interest is 90 days or more past due;<br>• Reasonable doubt exists as to the certainty of the borrower's future debt service ability, according to the terms of the credit arrangement, regardless of whether 90 days have passed or not;<br>• The borrower has filed or will likely file for bankruptcy;<br>• The bank advances additional funds to cover principal or interest;<br>• We are in the process of liquidating a commercial borrower; or<br>• We are pursuing remedies under a guarantee. |
| **Loans Excluded from Nonperforming Classification but Accounted for as Nonaccrual** | • Loans accounted for under the fair value option and full collection of principal and interest is not probable.<br>• Loans accounted for at the lower of cost or market less costs to sell (held for sale) and full collection of principal and interest is not probable. |
| **Loans Excluded from Nonperforming Classification and Nonaccrual Accounting** | • Loans that are well secured and in the process of collection. |

| Consumer Lending | |
|---|---|
| **Loans Classified as Nonperforming and Accounted for as Nonaccrual** | • Loans accounted for at amortized cost where full collection of contractual principal and interest is not deemed probable as demonstrated in the policies below:<br>– The loan is 90 days past due for home equity and installment loans, and 180 days past due for well secured residential real estate loans;<br>– The loan has been modified and classified as a troubled debt restructuring (TDR);<br>– Notification of bankruptcy has been received;<br>– The bank holds a subordinate lien position in the loan and the first lien mortgage loan is seriously stressed (*i.e.*, 90 days or more past due);<br>– Other loans within the same borrower relationship have been placed on nonaccrual or charge-offs have been taken on them;<br>– The bank has ordered the repossession of non-real estate collateral securing the loan; or<br>– The bank has charged-off the loan to the value of the collateral. |
| **Loans Excluded from Nonperforming Classification but Accounted for as Nonaccrual** | • Loans accounted for under the fair value option and full collection of principal and interest is not probable.<br>• Loans accounted for at the lower of cost or market less costs to sell (held for sale) and full collection of principal and interest is not probable. |
| **Loans Excluded from Nonperforming Classification and Nonaccrual Accounting** | • Purchased impaired loans because interest income is accreted through the accounting model.<br>• Certain government insured loans where substantially all principal and interest is insured.<br>• Residential real estate loans that are well secured and in the process of collection.<br>• Consumer loans and lines of credit, not secured by residential real estate or automobiles, as permitted by regulatory guidance. |

See Note 3 Asset Quality in this Report for additional detail on nonperforming assets and asset quality indicators for commercial and consumer loans.

**Commercial Lending**

We generally charge off Commercial Lending (Commercial, Commercial Real Estate, and Equipment Lease Financing) nonperforming loans when we determine that a specific loan, or portion thereof, is uncollectible. This determination is based on the specific facts and circumstances of the individual loans. In making this determination, we consider the viability of the business or project as a going concern, the past due status when the asset is not well-secured, the expected cash flows to repay the loan, the value of the collateral, and the ability and willingness of any guarantors to perform.

Additionally, in general, for smaller commercial loans of $1 million or less, a partial or full charge-off occurs at 120 days past due for term loans and 180 days past due for revolvers. Certain small business credit card balances that are placed on nonaccrual status when they become 90 days or more past due are charged-off at 180 days past due.

**Consumer Lending**

Home equity installment loans, home equity lines of credit, and residential real estate loans that are not well-secured and in the process of collection are charged-off at no later than 180 days past due. At that time, the basis in the loan is reduced to the fair value of the collateral less costs to sell. In addition to this policy, the bank recognizes a charge-off on a secured consumer loan when:

- The bank holds a subordinate lien position in the loan and a foreclosure notice has been received on the first lien loan;
- The bank holds a subordinate lien position in the loan which is 30 days or more past due with a combined loan to value ratio of greater than or equal to 110% and the first lien loan is seriously stressed (*i.e.*, 90 days or more past due);
- The loan is modified or otherwise restructured in a manner that results in the loan becoming collateral dependent;

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- Notification of bankruptcy has been received within the last 60 days;
- The borrower has been discharged from personal liability through Chapter 7 bankruptcy and has not formally reaffirmed his or her loan obligation to us; or
- The collateral securing the loan has been repossessed and the value of the collateral is less than the recorded investment of the loan outstanding.

For loans that continue to meet any of the above policies, collateral values are updated annually and subsequent declines in collateral values are charged-off resulting in incremental provision for credit loss.

Most consumer loans and lines of credit, not secured by residential real estate, are charged off after 120-180 days past due.

**Accounting for Nonperforming Assets and Leases and Other Nonaccrual Loans**
For accrual loans, interest income is accrued on a daily basis and certain fees and costs are deferred upon origination and recognized in income over the term of the loan utilizing an effective yield method. For nonaccrual loans, interest income accrual and deferred fee/cost recognition is discontinued. Additionally, the current year accrued and uncollected interest is reversed through Net interest income and prior year accrued and uncollected interest is charged-off. Nonaccrual loans may also be charged-off to reduce the basis to the fair value of collateral less costs to sell.

If payment is received on a nonaccrual loan, generally the payment is first applied to the recorded investment; payments are then applied to recover any charged-off amounts related to the loan. Finally, if both recorded investment and any charge-offs have been recovered, then the payment will be recorded as interest income. For certain nonaccrual consumer loans, the receipt of interest payments is recognized as interest income on a cash basis. Cash basis income recognition is applied if a loan's recorded investment is deemed fully collectible and the loan has performed under contractual terms for at least six months.

For TDRs, payments are applied based upon their contractual terms unless the related loan is deemed non-performing. TDRs are generally included in nonperforming and nonaccrual loans. However, after a reasonable period of time in which the loan performs under restructured terms and meets other performance indicators, it is returned to performing/accruing status. This return to performing/accruing status demonstrates that the bank expects to collect all of the loan's remaining contractual principal and interest. TDRs resulting from i) borrowers that have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to us and ii) borrowers that are not currently obligated to make both principal and interest payments under the restructured terms are not returned to accrual status.

Other nonaccrual loans are generally not returned to accrual status until the borrower has performed in accordance with the contractual terms and other performance indicators for at least six months, the period of time which was determined to demonstrate the expected collection of the loan's remaining contractual principal and interest. When a nonperforming loan is returned to accrual status, it is then considered a performing loan.

See Note 3 Asset Quality and Note 4 Allowance for Loan and Lease Losses in this Report for additional TDR information.

Foreclosed assets consist of any asset seized or property acquired through a foreclosure proceeding or acceptance of a deed-in-lieu of foreclosure. Other real estate owned comprises principally commercial and residential real estate properties obtained in partial or total satisfaction of loan obligations. After obtaining a foreclosure judgment, or in some jurisdictions the initiation of proceedings under a power of sale in the loan instruments, the property will be sold. When we are awarded title or completion of deed-in-lieu of foreclosure, we transfer the loan to foreclosed assets included in Other assets on our Consolidated Balance Sheet. Property obtained in satisfaction of a loan is initially recorded at estimated fair value less cost to sell. Based upon the estimated fair value less cost to sell, the recorded investment of the loan is adjusted and, typically, a charge-off/recovery is recognized to the ALLL. We estimate fair values primarily based on appraisals, or sales agreements with third parties. Subsequently, foreclosed assets are valued at the lower of the amount recorded at acquisition date or estimated fair value less cost to sell. Valuation adjustments on these assets and gains or losses realized from disposition of such property are reflected in Other noninterest expense.

For certain mortgage loans that have a government agency guarantee, we establish a separate other receivable upon foreclosure. The receivable is measured based on the loan balance (inclusive of principal and interest) that is expected to be recovered from the guarantor.

## Allowance for Loan and Lease Losses

We maintain the ALLL at a level that we believe to be appropriate to absorb estimated probable credit losses incurred in the loan and lease portfolios as of the balance sheet date. Our determination of the allowance is based on periodic evaluations of these loan and lease portfolios and other relevant factors. This critical estimate includes significant use of our own historical data and complex methods to interpret this data. These evaluations are inherently subjective, as they require material estimates and may be susceptible to significant change, and include, among others:

- Probability of default (PD);

- Loss given default (LGD);
- Exposure at default (EAD);
- Movement through delinquency stages;
- Amounts and timing of expected future cash flows;
- Value of collateral; and
- Qualitative factors, such as changes in current economic conditions, that may not be reflected in modeled results.

For all loans, except purchased impaired loans, the ALLL is the sum of three components: (i) asset specific/individual impaired reserves, (ii) quantitative (formulaic or pooled) reserves and (iii) qualitative (judgmental) reserves.

The reserve calculation and determination process is dependent on the use of key assumptions. Key reserve assumptions and estimation processes react to and are influenced by observed changes in loan portfolio performance experience, the financial strength of the borrowers, and economic conditions. Key reserve assumptions are periodically updated.

See Note 4 Allowance for Loan and Lease Losses for additional detail on our ALLL.

**Asset Specific/Individual Component**
Nonperforming loans that are considered impaired under ASC 310 – Receivables, which include all commercial and consumer TDRs, are evaluated for a specific reserve. Specific reserve allocations are determined as follows:

- For commercial nonperforming loans and commercial TDRs greater than or equal to a defined dollar threshold, specific reserves are based on an analysis of the present value of the loan's expected future cash flows, the loan's observable market price or the fair value of the collateral.
- For commercial nonperforming loans and commercial TDRs below the defined dollar threshold, the individual loan's LGD percentage is multiplied by the loan balance and the results are aggregated for purposes of measuring specific reserve impairment.
- Consumer nonperforming loans are collectively reserved for unless classified as consumer TDRs. For consumer TDRs, specific reserves are determined through an analysis of the present value of the loan's expected future cash flows, except for those instances where loans have been deemed collateral dependent, including loans where borrowers have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to us. Once that determination has been made, those TDRs are charged down to the fair value of the collateral less costs to sell at each period end.

**Commercial Lending Quantitative Component**
The estimates of the quantitative component of ALLL for incurred losses within the commercial lending portfolio are determined through quantitative loss modeling utilizing PD, LGD and outstanding balance of the loan. Based upon borrower and transaction characteristics, we assign PDs and LGDs. Each of these parameters is determined based on internal historical data, supplemented with third party data and management judgment, as deemed necessary. PD is influenced by such factors as leverage, liquidity, industry, obligor financial structure, access to capital and cash flow. LGD is influenced by collateral type, original and/or updated loan-to-value ratio (LTV), facility structure and other factors.

**Consumer Lending Quantitative Component**
Quantitative estimates within the consumer lending portfolio segment are calculated primarily using transition matrices, including using a roll-rate model. The roll-rate model uses statistical relationships, calculated from historical data that estimate the movement of loan outstandings through the various stages of delinquency and ultimately charge-off over our loss emergence period.

**Qualitative Component**
While our reserve methodologies strive to reflect all relevant risk factors, there continues to be uncertainty associated with, but not limited to, potential imprecision in the estimation process due to the inherent time lag of obtaining information and normal variations between estimates and actual outcomes. We may adjust our reserve for such risks. The ALLL also includes factors that may not be directly measured in the determination of specific or pooled reserves. Such qualitative factors may include:

- Industry concentrations and conditions;
- Changes in market conditions;
- Recent credit quality trends;
- Recent loss experience in particular portfolios, including specific and unique events;
- Recent macro-economic factors;
- Model imprecision;
- Changes in lending policies and procedures;
- Timing of available information, including the performance of first lien positions; and
- Limitations of available historical data.

**Allowance for Purchased Non-Impaired Loans**
ALLL for purchased non-impaired loans is determined based upon a comparison between the methodologies described above and the remaining acquisition date fair value discount, if any, that has yet to be accreted into interest income. After making the comparison, an ALLL is recorded for the amount greater than the discount, or no ALLL is recorded if the discount is greater.

**Allowance for Purchased Impaired Loans**
ALLL for purchased impaired loans is determined in accordance with ASC 310-30 by comparing the net present value of management's best estimate of cash flows expected to be collected over the life of the pool of loans to the recorded investment for a given pool of loans. In cases where the net present value of expected cash flows is lower than the recorded investment, ALLL is established.

## Allowance for Unfunded Loan Commitments and Letters of Credit

We maintain the allowance for unfunded loan commitments and letters of credit at a level we believe is appropriate to absorb estimated probable credit losses incurred on these unfunded credit facilities as of the balance sheet date. We determine the allowance based on periodic evaluations of the unfunded credit facilities, including an assessment of the probability of commitment usage, credit risk factors, and, solely for commercial lending, the terms and expiration dates of the unfunded credit facilities. Other than the estimation of the probability of funding, the reserve for unfunded loan commitments is estimated in a manner similar to the methodology used for determining reserves for funded exposures. The allowance for unfunded loan commitments and letters of credit is recorded as a liability on the Consolidated Balance Sheet. Net adjustments to the allowance for unfunded loan commitments and letters of credit are included in the provision for credit losses.

## Mortgage Servicing Rights

We provide servicing under various loan servicing contracts for commercial and residential loans. These contracts are either purchased in the open market or retained as part of a loan securitization or loan sale. All acquired or originated servicing rights are measured at fair value. Fair value is based on the present value of the expected future net cash flows, including assumptions as to:

- Deposit balances and interest rates for escrow and commercial reserve earnings;
- Discount rates;
- Estimated prepayment speeds; and
- Estimated servicing costs.

We measure commercial and residential MSRs at fair value in order to reduce any potential measurement mismatch between our economic hedges and the MSRs. We manage the risk by hedging the fair value of MSRs with derivatives and securities which are expected to increase in value when the value of the servicing right declines. Changes in the fair value of MSRs are recognized as gains/(losses). The fair value of these servicing rights is estimated by using a discounted cash flow valuation model which calculates the present value of estimated future net servicing cash flows, taking into consideration actual and expected mortgage loan prepayment rates, discount rates, servicing costs, and other factors which are determined based on current market conditions.

## Fair Value of Financial Instruments

The fair value of financial instruments and the methods and assumptions used in estimating fair value amounts and financial assets and liabilities for which fair value was elected are detailed in Note 6 Fair Value.

## Goodwill

Goodwill arising from business acquisitions represents the value attributable to unidentifiable intangible elements in the business acquired. At least annually, in the fourth quarter, or more frequently if events occur or circumstances have changed significantly from the annual test date, management performs our goodwill impairment test at a reporting unit level.

If, after considering all relevant events and circumstances, PNC determines it is not more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, then performing a quantitative impairment test is not necessary. If PNC elects to bypass the qualitative analysis, or concludes via qualitative analysis that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, a two-step goodwill impairment test is performed. In the first step, inputs are generated and used in calculating the fair value of the reporting unit, which is compared to its carrying amount. The fair value of our reporting units is determined by using discounted cash flows and/or market comparability methodologies. If the fair value is greater than the carrying amount, then the reporting unit's goodwill is deemed not to be impaired. If the fair value is less than the carrying amount, then the second step is performed. In the second step, the implied fair value of reporting unit goodwill, which is determined as if the reporting unit had been acquired in a business combination, would be compared to the carrying amount of that goodwill. If the carrying amount of goodwill exceeds the implied fair value of goodwill, the difference is recognized as an impairment loss.

## Depreciation and Amortization

For financial reporting purposes, we depreciate premises and equipment, net of salvage value, principally using the straight-line method over their estimated useful lives.

We use estimated useful lives for furniture and equipment ranging from one to 10 years, and depreciate buildings over an estimated useful life of up to 40 years. We amortize leasehold improvements over their estimated useful lives of up to 15 years or the respective lease terms, whichever is shorter.

We purchase, as well as internally develop and customize, certain software to enhance or perform internal business functions. Software development costs incurred in the planning and post-development project stages are charged to Noninterest expense. Costs associated with designing software configuration and interfaces, installation, coding programs and testing systems are capitalized and amortized using the straight-line method over periods ranging from one to 10 years.

We review the remaining useful lives and carrying values of premises and equipment to determine whether an event has occurred that would indicate a change in useful life is warranted or if any impairment exists.

## Other Comprehensive Income

Other comprehensive income, on an after-tax basis, primarily consists of unrealized gains or losses, excluding OTTI attributable to credit deterioration, on investment securities classified as available for sale, unrealized gains or losses on derivatives designated as cash flow hedges, and changes in pension and other postretirement benefit plan liability adjustments. Details of each component are included in Note 16 Other Comprehensive Income.

## Treasury Stock

We record common stock purchased for treasury at cost. At the date of subsequent reissue, the treasury stock account is reduced by the cost of such stock on the first-in, first-out basis.

## Derivative Instruments and Hedging Activities

We use a variety of financial derivatives to both mitigate exposure to market (primarily interest rate) and credit risks inherent in our business activities, as well as to facilitate customer risk management activities. We manage these risks as part of our asset and liability management process and through credit policies and procedures.

We recognize all derivative instruments at fair value as either Other assets or Other liabilities on the Consolidated Balance Sheet and the related cash flows in the Operating Activities section of the Consolidated Statement of Cash Flows. Adjustments for counterparty credit risk are included in the determination of fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a cash flow or net investment hedging relationship. For all other derivatives, changes in fair value are recognized in earnings.

We utilize a net presentation for derivative instruments on the Consolidated Balance Sheet taking into consideration the effects of legally enforceable master netting agreements. Cash collateral exchanged with counterparties is also netted against the applicable derivative exposures by offsetting obligations to return, or general rights to reclaim, cash collateral against the fair values of the net derivatives being collateralized.

For those derivative instruments that are designated and qualify as accounting hedges, we designate the hedging instrument, based on the exposure being hedged, as a fair value hedge, a cash flow hedge or a hedge of the net investment in a foreign operation.

We formally document the relationship between the hedging instruments and hedged items, as well as the risk management objective and strategy, before undertaking an accounting hedge. To qualify for hedge accounting, the derivatives and related hedged items must be designated as a hedge at inception of the hedge relationship. In addition, a derivative must be highly effective at reducing the risk associated with the exposure being hedged. For accounting hedge relationships, we formally assess, both at the inception of the hedge and on an ongoing basis, if the derivatives are highly effective in offsetting designated changes in the fair value or cash flows of the hedged item. If it is determined that the derivative instrument is not highly effective, hedge accounting is discontinued. We assess effectiveness using statistical regression analysis. Where the critical terms of the derivative and hedged item match, effectiveness may be assessed qualitatively.

For derivatives that are designated as fair value hedges (*i.e.*, hedging the exposure to changes in the fair value of an asset or a liability attributable to a particular risk, such as changes in LIBOR), changes in the fair value of the hedging instrument are recognized in earnings and offset by also recognizing in earnings the changes in the fair value of the hedged item attributable to the hedged risk. To the extent the change in fair value of the derivative does not offset the change in fair value of the hedged item, the difference is reflected in the Consolidated Income Statement in the same income statement line as the hedged item.

For derivatives designated as cash flow hedges (*i.e.*, hedging the exposure to variability in expected future cash flows), the gain or loss on derivatives is reported as a component of AOCI and subsequently reclassified to income in the same period or periods during which the hedged cash flows affect earnings and recorded in the same income statement line item as the hedged cash flows. For derivatives designated as a hedge of net investment in a foreign operation, the gain or loss on the derivatives is reported as a component of AOCI.

We discontinue hedge accounting when it is determined that the derivative no longer qualifies as an effective hedge; the derivative expires or is sold, terminated or exercised; or the derivative is de-designated as a fair value or cash flow hedge or, for a cash flow hedge, it is no longer probable that the forecasted transaction will occur by the end of the originally specified time period.

We purchase or originate financial instruments that contain an embedded derivative. For financial instruments not measured at fair value with changes in fair value reported in earnings, we assess, at inception of the transaction, if the economic characteristics of the embedded derivative are clearly and closely related to the economic characteristics of the host contract, and whether a separate instrument with the same terms as the embedded derivative would be a derivative. If the embedded derivative is not clearly and closely related to the host contract and meets the definition of a derivative, the embedded derivative is recorded separately from the host contract with changes in fair value recorded in earnings, unless we elect to account for the hybrid instrument at fair value.

We have elected, on an instrument-by-instrument basis, fair value measurement for certain financial instruments with embedded derivatives.

We enter into commitments to originate residential and commercial mortgage loans for sale. We also enter into commitments to purchase or sell commercial and residential real estate loans. These commitments are accounted for as free-standing derivatives which are recorded at fair value in Other assets or Other liabilities on the Consolidated Balance Sheet. Any gain or loss from the change in fair value after the inception of the commitment is recognized in Noninterest income.

**Income Taxes**

We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that we expect will apply at the time when we believe the differences will reverse. Changes in tax rates and tax law are accounted for in the period of enactment. Thus, at the enactment date, deferred taxes are remeasured and the change is recognized in Income Tax expense. The recognition of deferred tax assets requires an assessment to determine the realization of such assets. Realization refers to the incremental benefit achieved through the reduction in future taxes payable or refunds receivable from the deferred tax assets, assuming that the underlying deductible differences and carryforwards are the last items to enter into the determination of future taxable income. We establish a valuation allowance for tax assets when it is more likely than not that they will not be realized, based upon all available positive and negative evidence.

We use the deferral method of accounting on investments that generate investment tax credits. Under this method, the investment tax credits are recognized as a reduction to the related asset.

**Earnings Per Common Share**

Basic earnings per common share is calculated using the two-class method to determine income attributable to common shareholders. Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are considered participating securities under the two-class method. Distributed dividends and dividend equivalents related to participating securities and an allocation of undistributed net income to participating securities reduce the amount of income attributable to common shareholders. Income attributable to common shareholders is then divided by the weighted-average common shares outstanding for the period.

Diluted earnings per common share is calculated under the more dilutive of either the treasury method or the two-class method. For the diluted calculation, we increase the weighted-average number of shares of common stock outstanding by the assumed conversion of outstanding convertible preferred stock from the beginning of the year or date of issuance, if later, and the number of shares of common stock that would be issued assuming the exercise of stock options and warrants and the issuance of incentive shares using the treasury stock method. These adjustments to the weighted-average number of shares of common stock outstanding are made only when such adjustments will dilute earnings per common share. See Note 14 Earnings Per Share for additional information.

## Recently Adopted Accounting Standards

| Accounting Standards Update (ASU) | Description | Financial Statement Impact |
|---|---|---|
| **Leases - ASU 2016-02**<br><br>Issued February 2016 | • Requires lessees to recognize a right-of-use asset and related lease liability for all leases with lease terms of more than 12 months.<br>• Recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or operating lease.<br>• Targeted changes have been made to the lessor accounting model to align the guidance with the new lessee model and revenue recognition guidance.<br>• Permits option to adopt using a modified retrospective approach through a cumulative-effect adjustment to retained earnings at adoption. | • Adopted January 1, 2019 under the modified retrospective approach.<br>• Amended presentation and disclosures are made prospectively. Refer to the lease disclosures in this Note 1 and Note 24 Leases for additional information.<br>• The impact of adoption was immaterial to PNC's consolidated income statement.<br>• The impact of adoption of the changes to the lessor accounting model did not have a material impact on our financial statements. |

| Accounting Standards Update (ASU) | Description | Financial Statement Impact |
|---|---|---|
| **Credit Losses - ASU 2016-13**<br><br>Issued June 2016<br><br>Codification Improvements - ASU 2019-04<br><br>Various improvements related to Credit Losses (Topics 1, 2 and 5)<br><br>Issued April 2019<br><br>Targeted Transition Relief - Credit Losses - ASU 2019-05<br><br>Issued May 2019<br><br>Codification Improvements - ASU 2019-11<br><br>Issued November 2019 | • Required effective date of January 1, 2020.<br>• Commonly referred to as the Current Expected Credit Losses (CECL) standard.<br>• Replaces measurement, recognition and disclosure guidance for credit related reserves (*i.e.*, ALLL and the allowance for unfunded loan commitments and letters of credit) and OTTI for debt securities.<br>• Requires the use of an expected credit loss methodology; specifically, current expected credit losses for the remaining life of the asset will be recognized starting from the time of origination or acquisition.<br>• Methodology applies to loans, net investment in leases, debt securities and certain financial assets not accounted for at fair value through net income. It will also apply to off-balance sheet credit exposures except for unconditionally cancellable commitments.<br>• In-scope assets will be presented at the net amount expected to be collected after the deduction or addition of the allowance for credit losses (ACL) from the amortized cost basis of the assets.<br>• Requires inclusion of expected recoveries of previously charged-off amounts for in-scope assets.<br>• Requires enhanced credit quality disclosures including disaggregation of credit quality indicators by vintage.<br>• Requires a modified retrospective approach through a cumulative-effect adjustment to retained earnings at adoption. | **Subsequent event**<br>• We adopted the CECL standard on January 1, 2020.<br>• Based on current and forecasted economic conditions and portfolio balances as of January 1, 2020, the adoption of the CECL standard resulted in an ACL of $3.7 billion. See Table 34 for details of the ACL composition and a summary of the impact of adoption. The overall change in total reserves at December 31, 2019 was primarily due to the move to a life of loan reserve estimate as well as methodology changes required under CECL.<br>• Our ACL estimate uses various models and estimation techniques based on our historical loss experience, current borrower characteristics, current conditions, reasonable and supportable forecasts and other relevant factors. Expected losses in our reasonable and supportable forecast period of three years are estimated using four macroeconomic scenarios and their estimated probabilities. These scenarios are produced by our economics team using a combination of structural models and expert judgment and are designed to reflect a range of plausible economic conditions and emerging business cycles over the next three years. After the end of the reasonable and supportable forecast period, expected losses are reverted to historical average losses, using a reversion period where applicable.<br>• ACL also includes identified qualitative factors related to idiosyncratic risk factors, changes in current economic conditions that may not be reflected in quantitatively derived results, and other relevant factors to ensure the ACL reflects our best estimate of current expected credit losses.<br>• We expect that our CECL estimate will be sensitive to various factors, including, but not limited to, the following major factors:<br>- Current economic conditions and borrower quality: Our forecast of expected losses depends on conditions and portfolio quality as of the estimation date. As current conditions evolve, forecasted losses could be materially affected.<br>- Scenario weights and design: Our loss estimates are sensitive to the shape and severity of macroeconomic forecasts and thus vary significantly between upside and downside scenarios. Changes to probability weights assigned to these scenarios and timing of peak business cycles reflected by the scenarios could materially affect our loss estimates.<br>- Portfolio volume and mix: Changes to the volume and mix in our portfolios could materially affect our estimates, as CECL reserves would be recognized at origination or acquisition.<br>• We implemented the CECL standard using the modified retrospective approach, and did not elect to maintain purchased credit impaired accounting upon adoption. We elected the one-time fair value option election for some of our purchased credit impaired loans and nonperforming assets. |

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| Accounting Standards Update (ASU) | Description | Financial Statement Impact |
|---|---|---|
| **Codification Improvements - ASU 2019-04**<br><br>Topic 3: Codification Improvements to ASU 2017-12 and Other Hedging Items<br><br>Issued April 2019 | • Required effective date of January 1, 2020.<br>• Targeted improvements related to:<br>- Partial-term fair value hedges of interest rate risk<br>- Amortization of fair value hedge basis adjustments<br>- Disclosure of fair value hedge basis adjustments<br>- Consideration of the hedged contractually specified interest rate under the hypothetical derivative method<br>- Application of a first-payments-received cash flow hedging technique to overall cash flows on a group of variable interest payments<br>- Update to transition guidance for ASU 2017-12<br>• This ASU permits a one-time transfer out of held to maturity securities to provide entities the opportunity to hedge fixed rate, prepayable securities under a last of layer hedging strategy (although an entity is not required to hedge such securities subsequent to transfer). | **Subsequent event**<br>• We adopted this standard on January 1, 2020.<br>• As permitted by the eligibility requirements in this guidance, at adoption we elected to transfer debt securities with an amortized cost of $16.2 billion (fair value of $16.5 billion) from held to maturity to the available for sale portfolio. The transfer resulted in a pretax increase to AOCI of $306 million. There were no other impacts to PNC's consolidated financial statements from the adoption of this guidance. |

The following table presents the impact of adopting CECL on January 1, 2020 on our allowance and retained earnings.

***Table 34: Impact of the CECL Standard Adoption***

| | ALLL (a) | | ACL (a) |
|---|---|---|---|
| In millions | December 31, 2019 | Transition Adjustment | January 1, 2020 |
| **Allowance (a)** | | | |
| Loans and leases | | | |
| Commercial lending | $ 1,812 | $ (304) | $ 1,508 |
| Consumer lending | 930 | 767 | 1,697 |
| Total loans and leases allowance | 2,742 | 463 | 3,205 |
| Off-balance sheet credit exposures (b) | 318 | 179 | 497 |
| Other | — | 19 | 19 |
| Total allowance | $ 3,060 | $ 661 | $ 3,721 |

| In millions | December 31, 2019 | Transition Adjustment | January 1, 2020 |
|---|---|---|---|
| Impact to retained earnings (c) | $ 42,215 | $ (671) | $ 41,544 |

(a) Amounts at December 31, 2019 represent the ALLL and the allowance for unfunded loan commitments and letters of credit. The amounts at January 1, 2020 represent the ACL.
(b) Off-balance sheet credit exposures are primarily unfunded loan commitments and letters of credit.
(c) Transition adjustment includes the increase in the total allowance of $.7 billion and the impact of the fair value option election of $.2 billion, offset by the tax impact of $.2 billion.

## NOTE 2 LOAN SALE AND SERVICING ACTIVITIES AND VARIABLE INTEREST ENTITIES

### Loan Sale and Servicing Activities

We have transferred residential and commercial mortgage loans in securitization or sales transactions in which we have continuing involvement. These transfers have occurred through Agency securitization, Non-agency securitization, and loan sale transactions. Agency securitizations consist of securitization transactions with FNMA, Federal Home Loan Mortgage Corporation (FHLMC) and Government National Mortgage Association (GNMA) (collectively, the Agencies). FNMA and FHLMC generally securitize our transferred loans into mortgage-backed securities for sale into the secondary market through SPEs that they sponsor. As an authorized GNMA issuer/servicer, we pool Federal Housing Administration (FHA) and Department of Veterans Affairs (VA) insured loans into mortgage-backed securities for sale into the secondary market. In Non-agency securitizations, we have transferred loans into securitization SPEs. In other instances, third-party investors have also purchased our loans in loan sale transactions and in certain instances have subsequently sold these loans into securitization SPEs. Securitization SPEs utilized in the Agency and Non-agency securitization transactions are VIEs.

Our continuing involvement in the FNMA, FHLMC, and GNMA securitizations, Non-agency securitizations, and loan sale transactions generally consists of servicing, repurchasing previously transferred loans under certain conditions and loss share arrangements, and, in limited circumstances, holding of mortgage-backed securities issued by the securitization SPEs.

Depending on the transaction, we may act as the master, primary and/or special servicer to the securitization SPEs or third-party investors. Servicing responsibilities typically consist of collecting and remitting monthly borrower principal and interest payments, maintaining escrow deposits, performing loss mitigation and foreclosure activities, and, in certain instances, funding of servicing advances. Servicing advances, which are generally reimbursable, are made for principal and interest and collateral protection and are carried in Other assets at cost.

We earn servicing and other ancillary fees for our role as servicer and, depending on the contractual terms of the servicing arrangement, we can be terminated as servicer with or without cause. At the consummation date of each type of loan transfer where we retain the servicing, we recognize a servicing right at fair value. See Note 6 Fair Value and Note 7 Goodwill and Mortgage Servicing Rights for further discussion of our servicing rights.

Certain loans transferred to the Agencies contain removal of account provisions (ROAPs). Under these ROAPs, we hold an option to repurchase at par individual delinquent loans that meet certain criteria. In other limited cases, GNMA has granted us the right to repurchase current loans when we intend to modify the borrower's interest rate under established guidelines. When we have the unilateral ability to repurchase a loan, effective control over the loan has been regained and we recognize an asset (in either Loans or Loans held for sale) and a corresponding liability (in Other borrowed funds) on the balance sheet regardless of our intent to repurchase the loan.

The Agency and Non-agency mortgage-backed securities issued by the securitization SPEs that are purchased and held on our balance sheet are typically purchased in the secondary market. We do not retain any credit risk on our Agency mortgage-backed security positions as FNMA, FHLMC and the U.S. Government (for GNMA) guarantee losses of principal and interest.

We also have involvement with certain Agency and Non-agency commercial securitization SPEs where we have not transferred commercial mortgage loans. These SPEs were sponsored by independent third-parties and the loans held by these entities were purchased exclusively from other third-parties. Generally, our involvement with these SPEs is as servicer with servicing activities consistent with those described above.

We recognize a liability for our loss exposure associated with contractual obligations to repurchase previously transferred loans due to possible breaches of representations and warranties and also for loss sharing arrangements (recourse obligations) with the Agencies. Other than providing temporary liquidity under servicing advances and our loss exposure associated with our repurchase and recourse obligations, we have not provided nor are we required to provide any type of credit support, guarantees or commitments to the securitization SPEs or third-party investors in these transactions.

The following table provides cash flows associated with our loan sale and servicing activities:

***Table 35: Cash Flows Associated with Loan Sale and Servicing Activities***

| In millions | Residential Mortgages | Commercial Mortgages (a) |
|---|---|---|
| **Cash Flows - Year ended December 31, 2019** | | |
| Sales of loans (b) | $ 4,259 | $ 3,540 |
| Repurchases of previously transferred loans (c) | $ 321 | $ 30 |
| Servicing fees (d) | $ 352 | $ 130 |
| Servicing advances recovered/(funded), net | $ 45 | $ 63 |
| Cash flows on mortgage-backed securities held (e) | $ 4,362 | $ 84 |
| **Cash Flows - Year ended December 31, 2018** | | |
| Sales of loans (b) | $ 4,474 | $ 4,140 |
| Repurchases of previously transferred loans (c) | $ 393 | $ 32 |
| Servicing fees (d) | $ 362 | $ 135 |
| Servicing advances recovered/(funded), net | $ 45 | $ (3) |
| Cash flows on mortgage-backed securities held (e) | $ 1,964 | $ 109 |

(a) Represents cash flow information associated with both commercial mortgage loan transfer and servicing activities.
(b) Gains/losses recognized on sales of loans were insignificant for the periods presented.
(c) Includes both residential and commercial mortgage government insured or guaranteed loans eligible for repurchase through the exercise of our ROAP option, as well as residential mortgage loans repurchased due to alleged breaches of origination covenants or representations and warranties made to purchasers.
(d) Includes contractually specified servicing fees, late charges and ancillary fees.
(e) Represents cash flows on securities where we transferred to, and/or service loans for, a securitization SPE and we hold securities issued by that SPE. The carrying values of such securities held were $17.8 billion in residential mortgage-backed securities and $.6 billion in commercial mortgage-backed securities at December 31, 2019 and $13.3 billion in residential mortgage-backed securities and $.6 billion in commercial mortgage-backed securities at December 31, 2018.

Table 36 presents information about the principal balances of transferred loans that we service and are not recorded on our Consolidated Balance Sheet. We would only experience a loss on these transferred loans if we were required to repurchase a loan, where the repurchase price exceeded the loan's fair value, due to a breach in representations and warranties or a loss sharing arrangement associated with our continuing involvement with these loans. The estimate of losses related to breaches in representations and warranties was insignificant at December 31, 2019 and 2018.

***Table 36: Principal Balance, Delinquent Loans and Net Charge-offs Related to Serviced Loans For Others***

| In millions | Residential Mortgages | Commercial Mortgages (a) |
|---|---|---|
| **December 31, 2019** | | |
| Total principal balance | $ 49,323 | $ 42,414 |
| Delinquent loans (b) | $ 492 | $ 64 |
| **December 31, 2018** | | |
| Total principal balance | $ 54,028 | $ 47,969 |
| Delinquent loans (b) | $ 622 | $ 234 |
| **Year ended December 31, 2019** | | |
| Net charge-offs (c) | $ 40 | $ 520 |
| **Year ended December 31, 2018** | | |
| Net charge-offs (c) | $ 47 | $ 269 |

(a) Represents information at the securitization level in which we have sold loans and we are the servicer for the securitization.
(b) Serviced delinquent loans are 90 days or more past due or are in process of foreclosure.
(c) Net charge-offs for Residential mortgages represent credit losses less recoveries distributed and as reported to investors during the period. Net charge-offs for Commercial mortgages represent credit losses less recoveries distributed and as reported by the trustee for commercial mortgage backed securitizations. Realized losses for Agency securitizations are not reflected as we do not manage the underlying real estate upon foreclosure and, as such, do not have access to loss information.

## Variable Interest Entities (VIEs)

We are involved with various entities in the normal course of business that are deemed to be VIEs. We assess VIEs for consolidation based upon the accounting policies described in Note 1 Accounting Policies. Our consolidated VIEs were insignificant at both December 31, 2019 and 2018. We have not provided additional financial support to these entities which we are not contractually required to provide.

The following table provides a summary of non-consolidated VIEs with which we have significant continuing involvement but are not the primary beneficiary. We have excluded certain transactions with non-consolidated VIEs from the balances presented in Table 37 where we have determined that our continuing involvement is not significant. We do not consider our continuing involvement to be significant when it relates to a VIE where we only invest in securities issued by the VIE and were not involved in the design of the VIE or where no transfers have occurred between us and the VIE. In addition, where we only have lending arrangements in the normal

course of business with entities that could be VIEs, we have excluded these transactions with non-consolidated entities from the balances presented in Table 37. These loans are included as part of the asset quality disclosures that we make in Note 3 Asset Quality.

***Table 37: Non-Consolidated VIEs***

| In millions | PNC Risk of Loss (a) | Carrying Value of Assets Owned by PNC | Carrying Value of Liabilities Owned by PNC |
|---|---|---|---|
| **December 31, 2019** | | | |
| Mortgage-backed securitizations (b) | $ 19,287 | $ 19,287 (c) | |
| Tax credit investments and other | 3,131 | 3,028 (d) | $ 1,101 (e) |
| Total | $ 22,418 | $ 22,315 | $ 1,101 |
| **December 31, 2018** | | | |
| Mortgage-backed securitizations (b) | $ 14,266 | $ 14,266 (c) | |
| Tax credit investments and other | 2,949 | 2,911 (d) | $ 806 (e) |
| Total | $ 17,215 | $ 17,177 | $ 806 |

(a) Represents loans, investments and other assets related to non-consolidated VIEs, net of collateral (if applicable). The risk of loss excludes any potential tax recapture associated with tax credit investments.
(b) Amounts reflect involvement with securitization SPEs where we transferred to, and/or service loans for, an SPE and we hold securities issued by that SPE. Values disclosed in the PNC Risk of Loss column represent our maximum exposure to loss for those securities' holdings.
(c) Included in Investment securities, Mortgage servicing rights and Other assets on our Consolidated Balance Sheet.
(d) Included in Investment securities, Loans, Equity investments and Other assets on our Consolidated Balance Sheet.
(e) Included in Deposits and Other liabilities on our Consolidated Balance Sheet.

## Mortgage-Backed Securitizations

In connection with each Agency and Non-agency residential and commercial mortgage-backed securitization discussed above, we evaluate each SPE utilized in these transactions for consolidation. In performing these assessments, we evaluate our level of continuing involvement in these transactions as the nature of our involvement ultimately determines whether or not we hold a variable interest and/or are the primary beneficiary of the SPE. Factors we consider in our consolidation assessment include the significance of (i) our role as servicer, (ii) our holdings of mortgage-backed securities issued by the securitization SPE and (iii) the rights of third-party variable interest holders.

The first step in our assessment is to determine whether we hold a variable interest in the securitization SPE. We hold variable interests in Agency and Non-agency securitization SPEs through our holding of residential and commercial mortgage-backed securities issued by the SPEs and/or our recourse obligations. Each SPE in which we hold a variable interest is evaluated to determine whether we are the primary beneficiary of the entity. For Agency securitization transactions, our contractual role as servicer does not give us the power to direct the activities that most significantly affect the economic performance of the SPEs. Thus, we are not the primary beneficiary of these entities. For Non-agency securitization transactions, we would be the primary beneficiary to the extent our servicing activities give us the power to direct the activities that most significantly affect the economic performance of the SPE and we hold a more than insignificant variable interest in the entity.

Details about the Agency and Non-agency securitization SPEs where we hold a variable interest and are not the primary beneficiary are included in Table 37. Our maximum exposure to loss as a result of our involvement with these SPEs is the carrying value of the mortgage-backed securities, servicing assets, servicing advances and our liabilities associated with our recourse obligations. Creditors of the securitization SPEs have no recourse to our assets or general credit.

## Tax Credit Investments and Other

For tax credit investments in which we do not have the right to make decisions that will most significantly impact the economic performance of the entity, we are not the primary beneficiary and thus do not consolidate the entity. These investments are disclosed in Table 37. The table also reflects our maximum exposure to loss exclusive of any potential tax credit recapture. Our maximum exposure to loss is equal to our legally binding equity commitments adjusted for recorded impairment, partnership results or amortization for qualifying low income housing tax credit investments when applicable. For all legally binding unfunded equity commitments, we increase our recognized investment and recognize a liability. As of December 31, 2019, we had a liability for unfunded commitments of $.6 billion related to investments in qualified affordable housing projects which is reflected in Other liabilities on our Consolidated Balance Sheet.

Table 37 also includes our involvement in lease financing transactions with limited liability companies (LLCs) engaged in solar power generation that, to a large extent, provided returns in the form of tax credits. The outstanding financings and operating lease assets are reflected as Loans and Other assets, respectively, on our Consolidated Balance Sheet, whereas related liabilities are reported in Deposits and Other liabilities.

We make certain equity investments in various tax credit limited partnerships or LLCs. The purpose of these investments is to achieve a satisfactory return on capital and to assist us in achieving goals associated with the Community Reinvestment Act. During 2019 we recognized $.2 billion of amortization, $.2 billion of tax credits and $.1 billion of other tax benefits associated with qualified investments in low income housing tax credits within Income taxes.

## NOTE 3 ASSET QUALITY

We closely monitor economic conditions and loan performance trends to manage and evaluate our exposure to credit risk. Trends in delinquency rates may be a key indicator, among other considerations, of credit risk within the loan portfolios. The measurement of delinquency status is based on the contractual terms of each loan. Loans that are 30 days or more past due in terms of payment are considered delinquent.

Nonperforming assets include nonperforming loans and leases, other real estate owned (OREO) and foreclosed assets. Nonperforming loans are those loans accounted for at amortized cost whose credit quality has deteriorated to the extent that full collection of contractual principal and interest is not probable. Interest income is not recognized on these loans. Loans accounted for under the fair value option are reported as performing loans. However, when nonaccrual criteria is met, interest income is not recognized on these loans. Additionally, certain government insured or guaranteed loans for which we expect to collect substantially all principal and interest are not reported as nonperforming loans and continue to accrue interest. Purchased impaired loans are excluded from nonperforming loans as we are currently accreting interest income over the expected life of the loans.

See Note 1 Accounting Policies for additional information on our loan related policies.

The following tables display the delinquency status of our loans and our nonperforming assets at December 31, 2019 and 2018, respectively.

***Table 38: Analysis of Loan Portfolio (a)***

| Dollars in millions | Accruing: Current or Less Than 30 Days Past Due | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days Or More Past Due | Total Past Due (b) | Nonperforming Loans | Fair Value Option Nonaccrual Loans (c) | Purchased Impaired Loans | Total Loans (d) |
|---|---|---|---|---|---|---|---|---|---|
| **December 31, 2019** | | | | | | | | | |
| Commercial Lending | | | | | | | | | |
| Commercial | $ 124,695 | $ 102 | $ 30 | $ 85 | $ 217 | $ 425 | | | $125,337 |
| Commercial real estate | 28,061 | 4 | 1 | | 5 | 44 | | | 28,110 |
| Equipment lease financing | 7,069 | 49 | 5 | | 54 | 32 | | | 7,155 |
| Total commercial lending | 159,825 | 155 | 36 | 85 | 276 | 501 | | | 160,602 |
| Consumer Lending | | | | | | | | | |
| Home equity | 23,791 | 58 | 24 | | 82 | 669 | | $ 543 | 25,085 |
| Residential real estate | 19,640 | 140 | 69 | 315 | 524 (b) | 315 | $ 166 | 1,176 | 21,821 |
| Automobile | 16,376 | 178 | 47 | 18 | 243 | 135 | | | 16,754 |
| Credit card | 7,133 | 60 | 37 | 67 | 164 | 11 | | | 7,308 |
| Education | 3,156 | 55 | 34 | 91 | 180 (b) | | | | 3,336 |
| Other consumer | 4,898 | 15 | 11 | 9 | 35 | 4 | | | 4,937 |
| Total consumer lending | 74,994 | 506 | 222 | 500 | 1,228 | 1,134 | 166 | 1,719 | 79,241 |
| Total | $ 234,819 | $ 661 | $ 258 | $ 585 | $ 1,504 | $ 1,635 | $ 166 | $ 1,719 | $239,843 |
| Percentage of total loans | 97.90% | .28% | .11% | .24% | .63% | .68% | .07% | .72% | 100.00% |
| December 31, 2018 | | | | | | | | | |
| Commercial Lending | | | | | | | | | |
| Commercial | $ 116,300 | $ 82 | $ 54 | $ 52 | $ 188 | $ 346 | | | $116,834 |
| Commercial real estate | 28,056 | 6 | 3 | | 9 | 75 | | | 28,140 |
| Equipment lease financing | 7,229 | 56 | 12 | | 68 | 11 | | | 7,308 |
| Total commercial lending | 151,585 | 144 | 69 | 52 | 265 | 432 | | | 152,282 |
| Consumer Lending | | | | | | | | | |
| Home equity | 24,556 | 66 | 25 | | 91 | 797 | | $ 679 | 26,123 |
| Residential real estate | 16,216 | 135 | 73 | 363 | 571 (b) | 350 | $ 182 | 1,338 | 18,657 |
| Automobile | 14,165 | 113 | 29 | 12 | 154 | 100 | | | 14,419 |
| Credit card | 6,222 | 46 | 29 | 53 | 128 | 7 | | | 6,357 |
| Education | 3,571 | 69 | 41 | 141 | 251 (b) | | | | 3,822 |
| Other consumer | 4,552 | 12 | 5 | 8 | 25 | 8 | | | 4,585 |
| Total consumer lending | 69,282 | 441 | 202 | 577 | 1,220 | 1,262 | 182 | 2,017 | 73,963 |
| Total | $ 220,867 | $ 585 | $ 271 | $ 629 | $ 1,485 | $ 1,694 | $ 182 | $ 2,017 | $226,245 |
| Percentage of total loans | 97.62% | .26% | .12% | .28% | .66% | .75% | .08% | .89% | 100.00% |

(a) Amounts in table represent recorded investment and exclude loans held for sale. Recorded investment does not include any associated valuation allowance.

(b) Past due loan amounts exclude purchased impaired loans, even if contractually past due (or if we do not expect to receive payment in full based on the original contractual terms), as we are currently accreting interest income over the expected life of the loans. Past due loan amounts include government insured or guaranteed Residential real estate loans totaling $.4 billion and $.5 billion at December 31, 2019 and 2018, respectively, and Education loans totaling $.2 billion at both December 31, 2019 and 2018.

(c) Consumer loans accounted for under the fair value option for which we do not expect to collect substantially all principal and interest are subject to nonaccrual accounting and classification upon meeting any of our nonaccrual policies. Given that these loans are not accounted for at amortized cost, these loans have been excluded from the nonperforming loan population.

(d) Net of unearned income, unamortized deferred fees and costs on originated loans, and premiums or discounts on purchased loans totaling $1.1 billion and $1.2 billion December 31, 2019 and 2018, respectively.

In the normal course of business, we originate or purchase loan products with contractual characteristics that, when concentrated, may increase our exposure as a holder of those loan products. Possible product features that may create a concentration of credit risk would include a high original or updated loan-to-value (LTV) ratio, terms that may expose the borrower to future increases in repayments above increases in market interest rates, and interest-only loans, among others.

We originate interest-only loans to commercial borrowers. Such credit arrangements are usually designed to match borrower cash flow expectations (*e.g.*, working capital lines, revolvers). These products are standard in the financial services industry and product features

are considered during the underwriting process to mitigate the increased risk that the interest-only feature may result in borrowers not being able to make interest and principal payments when due. We do not believe that these product features create a concentration of credit risk.

At December 31, 2019, we pledged $16.9 billion of commercial loans to the Federal Reserve Bank and $68.0 billion of residential real estate and other loans to the Federal Home Loan Bank as collateral for the ability to borrow, if necessary. The comparable amounts at December 31, 2018 were $17.3 billion and $63.2 billion, respectively. Amounts pledged reflect the unpaid principal balances.

***Table 39: Nonperforming Assets***

| Dollars in millions | December 31 2019 | December 31 2018 |
|---|---|---|
| Nonperforming loans | | |
| Total commercial lending | $ 501 | $ 432 |
| Total consumer lending (a) | 1,134 | 1,262 |
| Total nonperforming loans | 1,635 | 1,694 |
| OREO and foreclosed assets | 117 | 114 |
| Total nonperforming assets | $ 1,752 | $ 1,808 |
| Nonperforming loans to total loans | .68% | .75% |
| Nonperforming assets to total loans, OREO and foreclosed assets | .73% | .80% |
| Nonperforming assets to total assets | .43% | .47% |
| Interest on nonperforming loans (b) | | |
| Computed on original terms | $ 124 | $ 123 |
| Recognized prior to nonperforming status | $ 17 | $ 17 |

(a) Excludes most unsecured consumer loans and lines of credit, which are charged off after 120 to 180 days past due and are not placed on nonperforming status.
(b) Amounts are for the year ended.

Nonperforming loans also include certain loans whose terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulties. In accordance with applicable accounting guidance, these loans are considered TDRs. See Note 1 Accounting Policies and the TDR section of this Note 3 for additional information on TDRs.

Total nonperforming loans in Table 39 include TDRs of $.9 billion at both December 31, 2019 and 2018. TDRs that are performing, including consumer credit card TDR loans, totaled $.8 billion and $1.0 billion at December 31, 2019 and 2018, respectively, and are excluded from nonperforming loans.

## Additional Asset Quality Indicators

We have two portfolio segments – Commercial Lending and Consumer Lending. Each of these segments comprises multiple loan classes. Classes are characterized by similarities in initial measurement, risk attributes and the manner in which we monitor and assess credit risk. The Commercial Lending segment is composed of the commercial, commercial real estate and equipment lease financing loan classes. The Consumer Lending segment is composed of the home equity, residential real estate, automobile, credit card, education and other consumer loan classes.

## Commercial Lending Loan Classes

**Commercial Loan Class**
For commercial loans, we monitor the performance of the borrower in a disciplined and regular manner based upon the level of credit risk inherent in the loan. To evaluate the level of credit risk, we assign internal risk ratings reflecting our estimates of the borrower's PD and LGD for each related credit facility. This two-dimensional credit risk rating methodology provides granularity in the risk monitoring process on an ongoing basis. These ratings are reviewed and updated, generally at least once per year. Additionally, no less frequently than on an annual basis, we review PD rates related to each rating grade based upon internal historical data. These rates are updated as needed and augmented by market data as deemed necessary. For small balance homogeneous pools of commercial loans, mortgages and leases, we apply statistical modeling to assist in determining the PD within these pools. Further, on a periodic basis, we update our LGD estimation methodology based upon historical data. The combination of the PD and LGD ratings assigned to commercial loans, capturing both the combination of expectations of default and loss severity in event of default, reflects the relative estimated likelihood of loss at the reporting date. In general, loans with better PD and LGD tend to have a lower likelihood of loss compared to loans with worse PD and LGD. The loss amount also considers an estimate of EAD, which we also periodically update based upon historical data.

Based upon the amount of the lending arrangement and our risk rating assessment, we follow a formal schedule of written periodic review. Quarterly, we conduct formal reviews of a market's or business unit's loan portfolio, focusing on those loans which we perceive to be of higher risk, based upon PDs and LGDs, or loans for which credit quality is weakening. If circumstances warrant, it is our practice to review any customer obligation and its level of credit risk more frequently. We attempt to proactively manage our loans by using various procedures that are customized to the risk of a given loan, including ongoing outreach, contact, and assessment of obligor financial conditions, collateral inspection and appraisal.

**Commercial Real Estate Loan Class**
We manage credit risk associated with our commercial real estate loan class similar to commercial loans by analyzing PD and LGD. Additionally, risks associated with commercial real estate activities tend to be correlated to the loan structure and collateral location, project progress and business environment. As a result, these attributes are also monitored and utilized in assessing credit risk.

As with the commercial class, a formal schedule of periodic review is also performed to assess market/geographic risk and business unit/industry risk. Often as a result of these overviews, increased scrutiny can be placed on areas of higher risk, including adverse changes in risk ratings, deteriorating operating trends, and/or areas that concern management. These reviews are designed to assess risk and take actions to mitigate our exposure to such risks.

**Equipment Lease Financing Loan Class**
We manage credit risk associated with our equipment lease financing loan class similar to commercial loans by analyzing PD and LGD.

Based upon the dollar amount of the lease and the level of credit risk, we follow a formal schedule of periodic review. Generally, this occurs quarterly, although we have established practices to review such credit risk more frequently if circumstances warrant. Our review process entails analysis of the following factors: equipment value/residual value, exposure levels, jurisdiction risk, industry risk and guarantor requirements as applicable.

***Table 40: Commercial Lending Asset Quality Indicators (a)***

| In millions | Pass Rated | Criticized | Total Loans |
|---|---|---|---|
| **December 31, 2019** | | | |
| Commercial | $ 119,761 | $ 5,576 | $ 125,337 |
| Commercial real estate | 27,424 | 686 | 28,110 |
| Equipment lease financing | 6,891 | 264 | 7,155 |
| Total commercial lending | $ 154,076 | $ 6,526 | $ 160,602 |
| December 31, 2018 | | | |
| Commercial | $ 111,276 | $ 5,558 | $ 116,834 |
| Commercial real estate | 27,682 | 458 | 28,140 |
| Equipment lease financing | 7,180 | 128 | 7,308 |
| Total commercial lending | $ 146,138 | $ 6,144 | $ 152,282 |

(a) Loans are classified as Pass Rated and Criticized based on the regulatory classification definitions. The Criticized classification includes loans that were rated special mention, substandard or doubtful as of December 31, 2019 and 2018. We use PD and LGD to rate loans in the commercial lending portfolio.

## Consumer Lending Loan Classes

**Home Equity and Residential Real Estate Loan Classes**
We use several credit quality indicators, including delinquency information, nonperforming loan information, updated credit scores, and originated and updated LTV ratios to monitor and manage credit risk within the home equity and residential real estate loan classes. A summary of asset quality indicators follows:

Delinquency/Delinquency Rates: We monitor trending of delinquency/delinquency rates for home equity and residential real estate loans. See Table 38 for additional information.

Nonperforming Loans: We monitor trending of nonperforming loans for home equity and residential real estate loans. See Table 38 for additional information.

Credit Scores: We use a national third-party provider to update FICO credit scores for home equity loans and lines of credit and residential real estate loans at least quarterly. The updated scores are incorporated into a series of credit management reports, which are utilized to monitor the risk in the loan classes.

LTV (inclusive of combined loan-to-value (CLTV) for first and subordinate lien positions): At least annually, we update the property values of real estate collateral and calculate an updated LTV ratio. For open-end credit lines secured by real estate in regions experiencing significant declines in property values, more frequent valuations may occur. We examine LTV migration and stratify LTV into categories to monitor the risk in the loan classes.

We use a combination of original LTV and updated LTV for internal risk management and reporting purposes (*e.g.*, line management, loss mitigation strategies). In addition to the fact that estimated property values by their nature are estimates, given certain data limitations it is important to note that updated LTVs may be based upon management's assumptions (*e.g.*, if an updated LTV is not provided by the third-party service provider, house price index (HPI) changes will be incorporated in arriving at management's estimate of updated LTV).

Updated LTV is estimated using modeled property values. The related estimates and inputs are based upon an approach that uses a combination of third-party automated valuation models, broker price opinions, HPI indices, property location, internal and external balance information, origination data and management assumptions. We generally utilize origination lien balances provided by a third-party, where applicable, which do not include an amortization assumption when calculating updated LTV. Accordingly, the results of the calculations do not represent actual appraised loan level collateral or updated LTV based upon lien balances held by others, and as such, are necessarily imprecise and subject to change as we refine our methodology.

The following table presents certain asset quality indicators for the home equity and residential real estate loan classes.

***Table 41: Asset Quality Indicators for Home Equity and Residential Real Estate Loans***

| | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| In millions | Home equity | Residential real estate | Home equity | Residential real estate |
| Current estimated LTV ratios | | | | |
| Greater than or equal to 125% | $ 366 | $ 112 | $ 461 | $ 116 |
| Greater than or equal to 100% to less than 125% | 877 | 221 | 1,020 | 255 |
| Greater than or equal to 90% to less than 100% | 1,047 | 340 | 1,174 | 335 |
| Less than 90% | 22,068 | 19,305 | 22,644 | 15,922 |
| No LTV ratio available | 184 | 83 | 145 | 6 |
| Government insured or guaranteed loans | | 584 | | 685 |
| Purchased impaired loans | 543 | 1,176 | 679 | 1,338 |
| Total loans | $ 25,085 | $ 21,821 | $ 26,123 | $ 18,657 |
| Updated FICO Scores | | | | |
| Greater than 660 | $ 22,245 | $ 19,341 | $ 22,996 | $ 15,956 |
| Less than or equal to 660 | 2,019 | 569 | 2,210 | 585 |
| No FICO score available | 278 | 151 | 238 | 93 |
| Government insured or guaranteed loans | | 584 | | 685 |
| Purchased impaired loans | 543 | 1,176 | 679 | 1,338 |
| Total loans | $ 25,085 | $ 21,821 | $ 26,123 | $ 18,657 |

**Automobile, Credit Card, Education and Other Consumer Loan Classes**

We monitor a variety of asset quality information in the management of these consumer loan classes. For all loan types, we generally use a combination of internal loan parameters as well as an updated FICO score. We use FICO scores as a primary asset quality indicator for automobile and credit card loans, as well as non-government guaranteed or non-insured education loans and other secured and unsecured lines and loans. Internal credit metrics, such as delinquency status, are relied upon heavily as asset quality indicators for government guaranteed or insured education loans and consumer loans to high net worth individuals, as internal credit metrics tend to be more relevant than FICO scores for these types of loans.

Along with the monitoring of delinquency trends and losses for each class, FICO credit score updates are obtained at least quarterly along with a variety of credit bureau attributes. Loans with high FICO scores tend to have a lower likelihood of loss. Conversely, loans with low FICO scores tend to have a higher likelihood of loss.

The following table presents asset quality indicators for the automobile, credit card, education and other consumer loan classes.

***Table 42: Asset Quality Indicators for Automobile, Credit Card, Education and Other Consumer Loans***

| Dollars in millions | Automobile | Credit Card | Education | Other Consumer |
|---|---|---|---|---|
| **December 31, 2019** | | | | |
| FICO score greater than 719 | $ 9,232 | $ 3,867 | $ 1,139 | $ 1,421 |
| 650 to 719 | 4,577 | 2,326 | 197 | 843 |
| 620 to 649 | 1,001 | 419 | 25 | 132 |
| Less than 620 | 1,603 | 544 | 27 | 143 |
| No FICO score available or required (a) | 341 | 152 | 15 | 27 |
| Total loans using FICO credit metric | 16,754 | 7,308 | 1,403 | 2,566 |
| Consumer loans using other internal credit metrics | | | 1,933 | 2,371 |
| Total loans | $ 16,754 | $ 7,308 | $ 3,336 | $ 4,937 |
| Weighted-average updated FICO score (b) | 726 | 724 | 773 | 727 |
| December 31, 2018 | | | | |
| FICO score greater than 719 | $ 7,740 | $ 3,809 | $ 1,240 | $ 1,280 |
| 650 to 719 | 4,365 | 1,759 | 194 | 641 |
| 620 to 649 | 1,007 | 280 | 26 | 106 |
| Less than 620 | 1,027 | 332 | 24 | 105 |
| No FICO score available or required (a) | 280 | 177 | 57 | 25 |
| Total loans using FICO credit metric | 14,419 | 6,357 | 1,541 | 2,157 |
| Consumer loans using other internal credit metrics | | | 2,281 | 2,428 |
| Total loans | $ 14,419 | $ 6,357 | $ 3,822 | $ 4,585 |
| Weighted-average updated FICO score (b) | 726 | 733 | 774 | 732 |

(a) Loans with no FICO score available or required generally refers to new accounts issued to borrowers with limited credit history, accounts for which we cannot obtain an updated FICO score (e.g., recent profile changes), cards issued with a business name and/or cards secured by collateral. Management proactively assesses the risk and size of this loan category and, when necessary, takes actions to mitigate the credit risk.

(b) Weighted-average updated FICO score excludes accounts with no FICO score available or required.

## Troubled Debt Restructurings (TDRs)

A TDR is a loan whose terms have been restructured in a manner that grants a concession to a borrower experiencing financial difficulty. TDRs result from our loss mitigation activities, and include rate reductions, principal forgiveness, postponement/reduction of scheduled amortization, and extensions, which are intended to minimize economic loss and to avoid foreclosure or repossession of collateral. Additionally, TDRs also result from borrowers that have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to us. In those situations where principal is forgiven, the amount of such principal forgiveness is immediately charged off.

Some TDRs may not ultimately result in the full collection of principal and interest, as restructured, and result in potential incremental losses. These potential incremental losses have been factored into our overall ALLL estimate. The level of any subsequent defaults will likely be affected by future economic conditions. Once a loan becomes a TDR, it will continue to be reported as a TDR until it is ultimately repaid in full, the collateral is foreclosed upon, or it is fully charged off. We held specific reserves in the ALLL of $.1 billion and $.2 billion at December 31, 2019 and 2018, respectively, for the total TDR portfolio.

Table 43 quantifies the number of loans that were classified as TDRs as well as the change in the loans' recorded investment as a result of becoming a TDR during 2019, 2018 and 2017. Additionally, the table provides information about the types of TDR concessions. The Principal Forgiveness TDR category includes principal forgiveness and accrued interest forgiveness. The Rate Reduction TDR category includes reduced interest rate and interest deferral. The Other TDR category primarily includes consumer borrowers that have been discharged from personal liability through Chapter 7 bankruptcy and have not formally reaffirmed their loan obligations to us, as well as postponement/reduction of scheduled amortization and contractual extensions for both consumer and commercial borrowers.

In some cases, there have been multiple concessions granted on one loan. This is most common within the commercial loan portfolio. When there have been multiple concessions granted in the commercial loan portfolio, the principal forgiveness concession was prioritized for purposes of determining the inclusion in Table 43. Second in priority would be rate reduction. In the event that multiple concessions are granted on a consumer loan, concessions resulting from discharge from personal liability through Chapter 7 bankruptcy without formal affirmation of the loan obligations to us would be prioritized and included in the Other type of concession

in Table 43. After that, consumer loan concessions would follow the previously discussed priority of concessions for the commercial loan portfolio.

***Table 43: Financial Impact and TDRs by Concession Type (a)***

| During the year ended December 31, 2019<br>Dollars in millions | Number of Loans | Pre-TDR Recorded Investment (b) | Post-TDR Recorded Investment (c) | | | |
|---|---|---|---|---|---|---|
| | | | Principal Forgiveness | Rate Reduction | Other | Total |
| Total commercial lending | 75 | $ 278 | | $ 11 | $ 241 | $ 252 |
| Total consumer lending | 14,548 | 172 | | 97 | 64 | 161 |
| Total TDRs | 14,623 | $ 450 | | $ 108 | $ 305 | $ 413 |
| During the year ended December 31, 2018<br>Dollars in millions | | | | | | |
| Total commercial lending | 85 | $ 272 | $ 2 | $ 67 | $ 179 | $ 248 |
| Total consumer lending | 12,096 | 163 | 1 | 86 | 63 | 150 |
| Total TDRs | 12,181 | $ 435 | $ 3 | $ 153 | $ 242 | $ 398 |
| During the year ended December 31, 2017<br>Dollars in millions | | | | | | |
| Total commercial lending | 120 | $ 293 | $ 18 | $ 7 | $ 227 | $ 252 |
| Total consumer lending | 11,993 | 248 | | 146 | 97 | 243 |
| Total TDRs | 12,113 | $ 541 | $ 18 | $ 153 | $ 324 | $ 495 |

(a) Impact of partial charge-offs at TDR date are included in this table.
(b) Represents the recorded investment of the loans as of the quarter end prior to TDR designation, and excludes immaterial amounts of accrued interest receivable.
(c) Represents the recorded investment of the TDRs as of the end of the quarter in which the TDR occurs, and excludes immaterial amounts of accrued interest receivable.

After a loan is determined to be a TDR, we continue to track its performance under its most recent restructured terms. We consider a TDR to have subsequently defaulted when it becomes 60 days past due after the most recent date the loan was restructured. The recorded investment of loans that were both (i) classified as TDRs or were subsequently modified during each 12-month period preceding January 1, 2019, 2018 and 2017, and (ii) subsequently defaulted during the 12-month period following each of January 1, 2019, 2018 and 2017, totaled $.1 billion for all periods presented.

## Impaired Loans

Impaired loans include commercial and consumer nonperforming loans and TDRs, regardless of nonperforming status. TDRs that were previously recorded at amortized cost and are now classified and accounted for as held for sale are also included. Excluded from impaired loans are nonperforming leases, loans accounted for as held for sale other than the TDRs described in the preceding sentence, loans accounted for under the fair value option, smaller balance homogeneous type loans and purchased impaired loans. We did not recognize any interest income on impaired loans that have not returned to performing status, while they were impaired during 2019 and 2018. Table 44 provides further detail on impaired loans individually evaluated for impairment and the associated ALLL. Certain commercial and consumer impaired loans do not have a related ALLL as the valuation of these impaired loans exceeded the recorded investment.

***Table 44: Impaired Loans***

| In millions | Unpaid Principal Balance | Recorded Investment | Associated Allowance | Average Recorded Investment (a) |
|---|---|---|---|---|
| **December 31, 2019** | | | | |
| Impaired loans with an associated allowance | | | | |
| Total commercial lending | $ 527 | $ 386 | $ 98 | $ 371 |
| Total consumer lending | 702 | 668 | 93 | 753 |
| Total impaired loans with an associated allowance | 1,229 | 1,054 | 191 | 1,124 |
| Impaired loans without an associated allowance | | | | |
| Total commercial lending | 228 | 195 | | 276 |
| Total consumer lending | 1,022 | 635 | | 623 |
| Total impaired loans without an associated allowance | 1,250 | 830 | | 899 |
| Total impaired loans | $ 2,479 | $ 1,884 | $ 191 | $ 2,023 |
| December 31, 2018 | | | | |
| Impaired loans with an associated allowance | | | | |
| Total commercial lending | $ 440 | $ 315 | $ 73 | $ 349 |
| Total consumer lending | 863 | 817 | 136 | 904 |
| Total impaired loans with an associated allowance | 1,303 | 1,132 | 209 | 1,253 |
| Impaired loans without an associated allowance | | | | |
| Total commercial lending | 413 | 326 | | 294 |
| Total consumer lending | 1,042 | 625 | | 645 |
| Total impaired loans without an associated allowance | 1,455 | 951 | | 939 |
| Total impaired loans | $ 2,758 | $ 2,083 | $ 209 | $ 2,192 |

(a) Average recorded investment is for the years ended December 31, 2019 and 2018.

## NOTE 4 ALLOWANCE FOR LOAN AND LEASE LOSSES

We maintain the ALLL at levels that we believe to be appropriate to absorb estimated probable credit losses incurred in the portfolios as of the balance sheet date. We have two portfolio segments – Commercial Lending and Consumer Lending, and develop and document the ALLL under separate methodologies for each of these portfolio segments. See Note 1 Accounting Policies for a description of the accounting policies for the ALLL. A rollforward of the ALLL and associated loan data follows.

***Table 45: Rollforward of Allowance for Loan and Lease Losses and Associated Loan Data***

| | 2019 | | | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|---|---|---|
| At or for the year ended December 31<br>Dollars in millions | Commercial Lending | Consumer Lending | Total | Commercial Lending | Consumer Lending | Total | Commercial Lending | Consumer Lending | Total |
| Allowance for Loan and Lease Losses | | | | | | | | | |
| January 1 | $ 1,663 | $ 966 | $ 2,629 | $ 1,582 | $ 1,029 | $ 2,611 | $ 1,534 | $ 1,055 | $ 2,589 |
| Charge-offs | (216) | (758) | (974) | (124) | (640) | (764) | (221) | (565) | (786) |
| Recoveries | 78 | 254 | 332 | 99 | 245 | 344 | 116 | 213 | 329 |
| Net (charge-offs) | (138) | (504) | (642) | (25) | (395) | (420) | (105) | (352) | (457) |
| Provision for credit losses | 320 | 453 | 773 | 97 | 311 | 408 | 147 | 294 | 441 |
| Net decrease / (increase) in allowance for unfunded loan commitments and letters of credit | (34) | 1 | (33) | 11 | 1 | 12 | 5 | (1) | 4 |
| Other | 1 | 14 | 15 | (2) | 20 | 18 | 1 | 33 | 34 |
| December 31 | $ 1,812 | $ 930 | $ 2,742 | $ 1,663 | $ 966 | $ 2,629 | $ 1,582 | $ 1,029 | $ 2,611 |
| TDRs individually evaluated for impairment | $ 40 | $ 93 | $ 133 | $ 25 | $ 136 | $ 161 | $ 35 | $ 195 | $ 230 |
| Other loans individually evaluated for impairment | 58 | | 58 | 48 | | 48 | 41 | | 41 |
| Loans collectively evaluated for impairment | 1,714 | 563 | 2,277 | 1,590 | 555 | 2,145 | 1,506 | 561 | 2,067 |
| Purchased impaired loans | | 274 | 274 | | 275 | 275 | | 273 | 273 |
| December 31 | $ 1,812 | $ 930 | $ 2,742 | $ 1,663 | $ 966 | $ 2,629 | $ 1,582 | $ 1,029 | $ 2,611 |
| Loan Portfolio | | | | | | | | | |
| TDRs individually evaluated for impairment | $ 361 | $ 1,303 | $ 1,664 | $ 409 | $ 1,442 | $ 1,851 | $ 409 | $ 1,652 | $ 2,061 |
| Other loans individually evaluated for impairment | 220 | | 220 | 232 | | 232 | 310 | | 310 |
| Loans collectively evaluated for impairment | 160,021 | 75,477 | 235,498 | 151,641 | 69,722 | 221,363 | 146,720 | 68,102 | 214,822 |
| Fair value option loans (a) | | 742 | 742 | | 782 | 782 | | 869 | 869 |
| Purchased impaired loans | | 1,719 | 1,719 | | 2,017 | 2,017 | | 2,396 | 2,396 |
| December 31 | $ 160,602 | $ 79,241 | $ 239,843 | $ 152,282 | $ 73,963 | $ 226,245 | $ 147,439 | $ 73,019 | $ 220,458 |
| Portfolio segment ALLL as a percentage of total ALLL | 66% | 34% | 100% | 63% | 37% | 100% | 61% | 39% | 100% |
| Ratio of ALLL to total loans | 1.13% | 1.17% | 1.14% | 1.09% | 1.31% | 1.16% | 1.07% | 1.41% | 1.18% |

(a) Loans accounted for under the fair value option are not evaluated for impairment as these loans are accounted for at fair value. Accordingly there is no allowance recorded on these loans.

Net interest income less the provision for credit losses was $9.2 billion, $9.3 billion and $8.7 billion for 2019, 2018 and 2017, respectively.

## NOTE 5 INVESTMENT SECURITIES

***Table 46: Investment Securities Summary***

| In millions | December 31, 2019 Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value | December 31, 2018 Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
|---|---|---|---|---|---|---|---|---|
| **Securities Available for Sale** | | | | | | | | |
| U.S. Treasury and government agencies | $ 16,150 | $ 382 | $ (16) | $ 16,516 | $ 18,104 | $ 133 | $ (137) | $ 18,100 |
| Residential mortgage-backed | | | | | | | | |
| Agency | 35,847 | 517 | (43) | 36,321 | 29,413 | 104 | (524) | 28,993 |
| Non-agency | 1,515 | 302 | (3) | 1,814 | 1,924 | 300 | (13) | 2,211 |
| Commercial mortgage-backed | | | | | | | | |
| Agency | 3,094 | 42 | (18) | 3,118 | 2,630 | 13 | (66) | 2,577 |
| Non-agency | 3,352 | 29 | (9) | 3,372 | 2,689 | 5 | (37) | 2,657 |
| Asset-backed | 5,044 | 78 | (8) | 5,114 | 4,933 | 59 | (20) | 4,972 |
| Other | 2,788 | 121 | (1) | 2,908 | 3,821 | 96 | (38) | 3,879 |
| Total securities available for sale | $ 67,790 | $ 1,471 | $ (98) | $ 69,163 | $ 63,514 | $ 710 | $ (835) | $ 63,389 |
| **Securities Held to Maturity** | | | | | | | | |
| U.S. Treasury and government agencies | $ 776 | $ 56 | | $ 832 | $ 758 | $ 28 | $ (23) | $ 763 |
| Residential mortgage-backed | | | | | | | | |
| Agency | 14,419 | 270 | (26) | 14,663 | 15,740 | 32 | (358) | 15,414 |
| Non-agency | 133 | 7 | | 140 | 152 | 2 | | 154 |
| Commercial mortgage-backed | | | | | | | | |
| Agency | 59 | 1 | | 60 | 143 | 1 | (1) | 143 |
| Non-agency | 430 | 4 | | 434 | 488 | 1 | (1) | 488 |
| Asset-backed | 52 | | | 52 | 182 | 1 | | 183 |
| Other | 1,792 | 85 | (14) | 1,863 | 1,849 | 53 | (28) | 1,874 |
| Total securities held to maturity | $ 17,661 | $ 423 | $ (40) | $ 18,044 | $ 19,312 | $ 118 | $ (411) | $ 19,019 |

The fair value of investment securities is impacted by interest rates, credit spreads, market volatility and liquidity conditions. Net unrealized gains and losses in the securities available for sale portfolio are included in Shareholders' equity as AOCI unless credit-related. Securities held to maturity are carried at amortized cost. Investment securities at December 31, 2019 included $549 million of net unsettled purchases which represent non-cash investing activity, and accordingly, are not reflected on the Consolidated Statement of Cash Flows. The comparable amount for December 31, 2018 was $430 million.

At December 31, 2019, AOCI included an insignificant amount of pretax gains from derivatives that hedged the purchase of investment securities classified as held to maturity. The gains will be accreted into interest income as an adjustment of yield on the securities.

Table 47 presents gross unrealized losses and fair value of debt securities at December 31, 2019 and 2018. The securities are segregated between investments that have been in a continuous unrealized loss position for less than twelve months and twelve months or more based on the point in time that the fair value declined below the amortized cost basis. The table includes debt securities where a portion of other than temporary impairment (OTTI) has been recognized in AOCI.

*Table 47: Gross Unrealized Loss and Fair Value of Debt Securities*

| In millions | Unrealized loss position less than 12 months | | Unrealized loss position 12 months or more | | Total | |
|---|---|---|---|---|---|---|
| | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value |
| **December 31, 2019** | | | | | | |
| **Securities Available for Sale** | | | | | | |
| U.S. Treasury and government agencies | $ (14) | $ 2,451 | $ (2) | $ 607 | $ (16) | $ 3,058 |
| Residential mortgage-backed | | | | | | |
| Agency | (6) | 2,832 | (37) | 4,659 | (43) | 7,491 |
| Non-agency | | | (3) | 102 | (3) | 102 |
| Commercial mortgage-backed | | | | | | |
| Agency | (6) | 852 | (12) | 953 | (18) | 1,805 |
| Non-agency | (4) | 1,106 | (5) | 230 | (9) | 1,336 |
| Asset-backed | (3) | 660 | (5) | 561 | (8) | 1,221 |
| Other | | | (1) | 403 | (1) | 403 |
| Total securities available for sale | $ (33) | $ 7,901 | $ (65) | $ 7,515 | $ (98) | $ 15,416 |
| **Securities Held to Maturity** | | | | | | |
| Residential mortgage-backed - Agency | | | (26) | 2,960 | (26) | 2,960 |
| Other | (1) | 22 | (13) | 105 | (14) | 127 |
| Total securities held to maturity | $ (1) | $ 22 | $ (39) | $ 3,065 | $ (40) | $ 3,087 |
| December 31, 2018 | | | | | | |
| **Securities Available for Sale** | | | | | | |
| U.S. Treasury and government agencies | $ (21) | $ 4,125 | $ (116) | $ 5,423 | $ (137) | $ 9,548 |
| Residential mortgage-backed | | | | | | |
| Agency | (57) | 4,823 | (467) | 13,830 | (524) | 18,653 |
| Non-agency | (1) | 74 | (12) | 310 | (13) | 384 |
| Commercial mortgage-backed | | | | | | |
| Agency | (1) | 65 | (65) | 1,516 | (66) | 1,581 |
| Non-agency | (23) | 1,809 | (14) | 498 | (37) | 2,307 |
| Asset-backed | (11) | 2,149 | (9) | 1,032 | (20) | 3,181 |
| Other | (12) | 868 | (26) | 1,293 | (38) | 2,161 |
| Total securities available for sale | $ (126) | $ 13,913 | $ (709) | $ 23,902 | $ (835) | $ 37,815 |
| **Securities Held to Maturity** | | | | | | |
| U.S. Treasury and government agencies | | | $ (23) | $ 446 | $ (23) | $ 446 |
| Residential mortgage-backed - Agency | $ (58) | $ 4,191 | (300) | 7,921 | (358) | 12,112 |
| Commercial mortgage-backed | | | | | | |
| Agency | (1) | 88 | | | (1) | 88 |
| Non-agency | (1) | 152 | | | (1) | 152 |
| Other | (2) | 75 | (26) | 123 | (28) | 198 |
| Total securities held to maturity | $ (62) | $ 4,506 | $ (349) | $ 8,490 | $ (411) | $ 12,996 |

## Evaluating Investment Securities for Other-than-Temporary Impairment

For the securities in Table 47, as of December 31, 2019 we do not intend to sell and believe we will not be required to sell the securities prior to recovery of the amortized cost basis.

On at least a quarterly basis, we review all debt securities that are in an unrealized loss position for OTTI, as discussed in Note 1 Accounting Policies. For those securities on our Consolidated Balance Sheet at December 31, 2019, where during our quarterly security-level impairment assessments we determined losses represented OTTI, we have recorded cumulative credit losses of $1.1 billion in earnings and accordingly have reduced the amortized cost of our securities.

The majority of these cumulative impairment charges related to non-agency residential mortgage-backed and asset-backed securities rated BB or lower. During 2019, 2018 and 2017, the OTTI credit losses recognized in noninterest income and the OTTI noncredit losses recognized in AOCI on securities were not significant.

Information relating to gross realized securities gains and losses from the sales of securities is set forth in the following table.

***Table 48: Gains (Losses) on Sales of Securities Available for Sale***

| Year ended December 31<br>In millions | Gross Gains | Gross Losses | Net Gains | Tax Expense |
|---|---|---|---|---|
| 2019 | $ 69 | $ (21) | $ 48 | $ 10 |
| 2018 | $ 57 | $ (57) | | |
| 2017 | $ 38 | $ (31) | $ 7 | $ 2 |

The following table presents, by remaining contractual maturity, the amortized cost, fair value and weighted-average yield of debt securities at December 31, 2019.

***Table 49: Contractual Maturity of Securities***

| December 31, 2019<br>Dollars in millions | 1 Year or Less | After 1 Year through 5 Years | After 5 Years through 10 Years | After 10 Years | Total |
|---|---|---|---|---|---|
| **Securities Available for Sale** | | | | | |
| U.S. Treasury and government agencies | $ 2,198 | $ 10,189 | $ 2,984 | $ 779 | $ 16,150 |
| Residential mortgage-backed | | | | | |
| Agency | 2 | 65 | 1,194 | 34,586 | 35,847 |
| Non-agency | | | | 1,515 | 1,515 |
| Commercial mortgage-backed | | | | | |
| Agency | 8 | 565 | 490 | 2,031 | 3,094 |
| Non-agency | | 75 | 350 | 2,927 | 3,352 |
| Asset-backed | 8 | 2,511 | 1,267 | 1,258 | 5,044 |
| Other | 337 | 1,314 | 486 | 651 | 2,788 |
| Total securities available for sale at amortized cost | $ 2,553 | $ 14,719 | $ 6,771 | $ 43,747 | $ 67,790 |
| Fair value | $ 2,573 | $ 14,881 | $ 6,924 | $ 44,785 | $ 69,163 |
| Weighted-average yield, GAAP basis | 2.94% | 2.28% | 2.66% | 3.19% | 2.93% |
| **Securities Held to Maturity** | | | | | |
| U.S. Treasury and government agencies | | $ 198 | $ 300 | $ 278 | $ 776 |
| Residential mortgage-backed | | | | | |
| Agency | | 55 | 516 | 13,848 | 14,419 |
| Non-agency | | | | 133 | 133 |
| Commercial mortgage-backed | | | | | |
| Agency | | 10 | | 49 | 59 |
| Non-agency | | | | 430 | 430 |
| Asset-backed | | 6 | 19 | 27 | 52 |
| Other | $ 45 | 785 | 625 | 337 | 1,792 |
| Total securities held to maturity at amortized cost | $ 45 | $ 1,054 | $ 1,460 | $ 15,102 | $ 17,661 |
| Fair value | $ 45 | $ 1,089 | $ 1,543 | $ 15,367 | $ 18,044 |
| Weighted-average yield, GAAP basis | 3.75% | 3.59% | 3.53% | 3.32% | 3.35% |

Weighted-average yields are based on amortized cost with effective yields weighted for the contractual maturity of each security. At December 31, 2019, there were no securities of a single issuer, other than the FNMA and FHLMC, that exceeded 10% of Total shareholders' equity. The FNMA and FHLMC investments had a total amortized cost of $40.5 billion and $7.7 billion and fair value of $41.1 billion and $7.7 billion, respectively.

The following table presents the fair value of securities that have been either pledged to or accepted from others to collateralize outstanding borrowings.

***Table 50: Fair Value of Securities Pledged and Accepted as Collateral***

| In millions | December 31 2019 | December 31 2018 |
|---|---|---|
| Pledged to others | $ 14,609 | $ 7,597 |
| Accepted from others: | | |
| Permitted by contract or custom to sell or repledge (a) | $ 2,349 | $ 6,905 |
| Permitted amount repledged to others | $ 360 | $ 923 |

(a) Includes $2.0 billion and $6.0 billion in fair value of securities accepted from others to collateralize short-term investments in resale agreements that were not repledged to others at December 31, 2019 and December 31, 2018, respectively.

The securities pledged to others include positions held in our portfolio of investment securities, trading securities, and securities accepted as collateral from others that we are permitted by contract or custom to sell or repledge and were used to secure public and trust deposits and repurchase agreements, as well as for other purposes.

## NOTE 6 FAIR VALUE

### Fair Value Measurement

We measure certain financial assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability on the measurement date, and is determined using an exit price in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The fair value hierarchy established by GAAP requires us to maximize the use of observable inputs when measuring fair value. The three levels of the fair value hierarchy are:

- **Level 1:** Fair value is determined using a quoted price in an active market for identical assets or liabilities. Level 1 assets and liabilities may include debt securities, equity securities and listed derivative contracts that are traded in an active exchange market, and certain U.S. Treasury securities that are actively traded in over-the-counter markets.
- **Level 2:** Fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly. The majority of Level 2 assets and liabilities include debt securities and listed derivative contracts with quoted prices that are traded in markets that are not active, and certain debt and equity securities and over-the-counter derivative contracts whose fair value is determined using a pricing model without significant unobservable inputs.
- **Level 3:** Fair value is estimated using unobservable inputs that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models and discounted cash flow methodologies, or similar techniques for which the significant valuation inputs are not observable and the determination of fair value requires significant management judgment or estimation.

We characterize active markets as those where transaction volumes are sufficient to provide objective pricing information, with reasonably narrow bid/ask spreads, and where dealer quotes received do not vary widely and are based on current information. Inactive markets are typically characterized by low transaction volumes, price quotations that vary substantially among market participants or are not based on current information, wide bid/ask spreads, a significant increase in implied liquidity risk premiums, yields, or performance indicators for observed transactions or quoted prices compared to historical periods, a significant decline or absence of a market for new issuance, or any combination of the above factors. We also consider nonperformance risks, including credit risk, as part of our valuation methodology for all assets and liabilities measured at fair value.

Assets and liabilities measured at fair value, by their nature, result in a higher degree of financial statement volatility. Assets and liabilities classified within Level 3 inherently require the use of various assumptions, estimates and judgments when measuring their fair value. As observable market activity is commonly not available to use when estimating the fair value of Level 3 assets and liabilities, we must estimate fair value using various modeling techniques. These techniques include the use of a variety of inputs/assumptions including credit quality, liquidity, interest rates or other relevant inputs across the entire population of our Level 3 assets and liabilities. Changes in the significant underlying factors or assumptions (either an increase or a decrease) in any of these areas underlying our estimates may result in a significant increase/decrease in the Level 3 fair value measurement of a particular asset and/or liability from period to period.

Any models used to determine fair values or to validate dealer quotes are subject to review and independent testing as part of our model validation and internal control testing processes. Our Model Risk Management Group reviews significant models on at least an annual basis. In addition, the Valuation Committee approves valuation methodologies and reviews the results of independent valuation reviews and processes for assets and liabilities measured at fair value on a recurring basis.

### Assets and Liabilities Measured at Fair Value on a Recurring Basis

**Residential Mortgage Loans Held for Sale**

We account for certain residential mortgage loans originated for sale at fair value on a recurring basis. The election of the fair value option aligns the accounting for the residential mortgages with the related hedges. Residential mortgage loans are valued based on quoted market prices, where available, prices for other traded mortgage loans with similar characteristics, and purchase commitments and bid information received from market participants. The prices are adjusted as necessary to include the embedded servicing value in the loans and to take into consideration the specific characteristics of certain loans that are priced based on the pricing of similar loans. These adjustments represent unobservable inputs to the valuation but are not considered significant given the relative insensitivity of the value to changes in these inputs to the fair value of the loans. Accordingly, the majority of residential mortgage loans held for sale are classified as Level 2.

**Commercial Mortgage Loans Held for Sale**
We account for certain commercial mortgage loans classified as held for sale in whole loan transactions at fair value. We determine the fair value of commercial mortgage loans held for sale based upon discounted cash flows. Fair value is determined using sale valuation assumptions that management believes a market participant would use in pricing the loans.

Valuation assumptions may include observable inputs based on the benchmark interest rate swap curve, whole loan sales and agency sales transactions. The significant unobservable input for commercial mortgage loans held for sale, excluding those to be sold to agencies, is management's assumption of the spread applied to the benchmark rate. The spread over the benchmark curve includes management's assumptions of the impact of credit and liquidity risk. Significant increases (decreases) in the spread applied to the benchmark would result in a significantly lower (higher) asset value. The wide range of the spread over the benchmark curve is due to the varying risk and underlying property characteristics within our portfolio. Based on the significance of the unobservable input we classified this portfolio as Level 3.

For loans to be sold to agencies with servicing retained, the fair value is adjusted for the estimated servicing cash flows, which is an unobservable input. This adjustment is not considered significant given the relative insensitivity of the value to changes in the input to the fair value of the loans. Accordingly, commercial mortgage loans held for sale to agencies are classified as Level 2.

**Securities Available for Sale and Trading Securities**
Securities accounted for at fair value include both the available for sale and trading portfolios. We primarily use prices obtained from pricing services, dealer quotes or recent trades to determine the fair value of securities. The majority of securities were priced by third-party vendors. The third-party vendors use a variety of methods when pricing securities that incorporate relevant market data to arrive at an estimate of what a buyer in the marketplace would pay for a security under current market conditions. We monitor and validate the reliability of vendor pricing on an ongoing basis through pricing methodology reviews, including detailed reviews of the assumptions and inputs used by the vendor to price individual securities, and through price validation testing. Securities not priced by one of our pricing vendors may be valued using a dealer quote, which are also subject to price validation testing. Price validation testing is performed independent of the risk-taking function and involves corroborating the prices received from third-party vendors and dealers with prices from another third party or through other sources, such as internal valuations or sales of similar securities. Security prices are also validated through actual cash settlement upon sale of a security.

Securities are classified within the fair value hierarchy after giving consideration to the activity level in the market for the security type and the observability of the inputs used to determine the fair value. When a quoted price in an active market exists for the identical security, this price is used to determine fair value and the security is classified within Level 1 of the hierarchy. Level 1 securities include U.S. Treasury securities.

When a quoted price in an active market for the identical security is not available, fair value is estimated using either an alternative market approach, such as a recent trade or matrix pricing, or an income approach, such as a discounted cash flow pricing model. If the inputs to the valuation are based primarily on market observable information, then the security is classified within Level 2 of the hierarchy. Level 2 securities include agency debt securities, agency residential mortgage-backed securities, agency and non-agency commercial mortgage-backed securities, certain non-agency residential mortgage-backed securities, asset-backed securities collateralized by non-mortgage-related corporate and consumer loans, and other debt securities. Level 2 securities are predominantly priced by third parties, either by a pricing vendor or dealer.

In certain cases where there is limited activity or less transparency around the inputs to the valuation, securities are classified within Level 3 of the hierarchy. Securities classified as Level 3 consist primarily of non-agency residential mortgage-backed and asset-backed securities collateralized by first- and second-lien residential mortgage loans. Fair value for these securities is primarily estimated using pricing obtained from third-party vendors. In some cases, fair value is estimated using a dealer quote, by reference to prices of securities of a similar vintage and collateral type or by reference to recent sales of similar securities. Market activity for these security types is limited with little price transparency. As a result, these securities are generally valued by the third-party vendor using a discounted cash flow approach that incorporates significant unobservable inputs and observable market activity where available. Significant inputs to the valuation include prepayment projections and credit loss assumptions (default rate and loss severity) and discount rates that are deemed representative of current market conditions. Significant increases (decreases) in any of those assumptions in isolation would result in a significantly lower (higher) fair value measurement.

Certain infrequently traded debt securities within Other debt securities available for sale and Trading securities are also classified in Level 3 and are included in the Insignificant Level 3 assets, net of liabilities line item in Table 53. The significant unobservable inputs used to estimate the fair value of these securities include an estimate of expected credit losses and a discount for liquidity risk. These inputs are incorporated into the fair value measurement by either increasing the spread over the benchmark curve or by applying a credit and liquidity discount to the par value of the security. Significant increases (decreases) in credit and/or liquidity risk could result in a significantly lower (higher) fair value estimate.

**Loans**
Loans accounted for at fair value consist primarily of residential mortgage loans. These loans are generally valued similarly to residential mortgage loans held for sale and are classified as Level 2. However, similar to residential mortgage loans held for sale, if these loans are repurchased and unsalable, they are classified as Level 3. In addition, repurchased VA loans, where only a portion of the principal will be reimbursed, are classified as Level 3. The fair value is determined using a discounted cash flow calculation based on our historical loss rate. We have elected to account for certain home equity lines of credit at fair value. These loans are classified as Level 3. Significant inputs to the valuation of these loans include credit and liquidity discount, cumulative default rate, loss severity and gross discount rate and are deemed representative of current market conditions. Significant increases (decreases) in any of these assumptions would result in a significantly lower (higher) fair value measurement.

**Equity Investments**
Equity investments includes money market mutual funds as well as direct and indirect private equity investments. Money market mutual funds are valued based on quoted prices in active markets for identical securities and classified within Level 1 of the hierarchy. The valuation of direct and indirect private equity investments requires significant management judgment due to the absence of quoted market prices, inherent lack of liquidity and the long-term nature of such investments. Various valuation techniques are used for direct investments, including multiples of adjusted earnings of the entity, independent appraisals, anticipated financing and sale transactions with third parties, or the pricing used to value the entity in a recent financing transaction. A multiple of adjusted earnings calculation is the valuation technique utilized most frequently and is the most significant unobservable input used in such calculation. Significant decreases (increases) in the multiple of earnings could result in a significantly lower (higher) fair value measurement. Direct equity investments are classified as Level 3.

Indirect investments are not redeemable; however, we receive distributions over the life of the partnerships from liquidation of the underlying investments by the investee, which we expect to occur over the next 12 years. We value indirect investments in private equity funds using the net asset value (NAV) practical expedient as provided in the financial statements that we receive from fund managers. Due to the time lag in our receipt of the financial information and based on a review of investments and valuation techniques applied, adjustments to the manager-provided value are made when available recent portfolio company information or market information indicates a significant change in value from that provided by the manager of the fund. Indirect investments valued using NAV are not classified in the fair value hierarchy.

**Mortgage Servicing Rights (MSRs)**
MSRs are carried at fair value on a recurring basis. Assumptions incorporated into the MSRs valuation model reflect management's best estimate of factors that a market participant would use in valuing the MSRs. Although sales of MSRs do occur and can offer some market insight, MSRs do not trade in an active, open market with readily observable prices so the precise terms and conditions of sales are not available.

Residential MSRs
As a benchmark for the reasonableness of our residential MSRs fair value, we obtained opinions of value from independent brokers. These brokers provided a range (+/-10 bps) based upon their own discounted cash flow calculations of our portfolio that reflect conditions in the secondary market and any recently executed servicing transactions. We compare our internally-developed residential MSRs value to the ranges of values received from the brokers. If our residential MSRs fair value falls outside of the brokers' ranges, management will assess whether a valuation adjustment is warranted. For the periods presented, our residential MSRs value did not fall outside of the brokers' ranges. We consider our residential MSRs value to represent a reasonable estimate of fair value.

Due to the nature of the unobservable valuation inputs, residential MSRs are classified as Level 3. The significant unobservable inputs used in the fair value measurement of residential MSRs are constant prepayment rates and spread over the benchmark curve. Significant increases (decreases) in prepayment rates and spread over the benchmark curve would result in lower (higher) fair market value of residential MSRs.

Commercial MSRs
The fair value of commercial MSRs is estimated by using a discounted cash flow model incorporating unobservable inputs for assumptions such as constant prepayment rates, discount rates and other factors. Due to the nature of the unobservable valuation inputs and the limited availability of market pricing, commercial MSRs are classified as Level 3. Significant increases (decreases) in constant prepayment rates and discount rates would result in significantly lower (higher) commercial MSR value determined based on current market conditions and expectations.

**Financial Derivatives**
Exchange-traded derivatives are valued using quoted market prices and are classified as Level 1. The majority of derivatives that we enter into are executed over-the-counter and are valued using internal models. These derivatives are primarily classified as Level 2, as the readily observable market inputs to these models are validated to external sources, such as industry pricing services, or are corroborated through recent trades, dealer quotes, yield curves, implied volatility or other market-related data. Level 2 financial derivatives are primarily estimated using a combination of Eurodollar future prices and observable benchmark interest rate swaps to construct projected discounted cash flows.

Financial derivatives that are priced using significant management judgment or assumptions are classified as Level 3. Unobservable inputs related to interest rate contracts include probability of funding of residential mortgage loan commitments and estimated servicing cash flows of commercial and residential mortgage loan commitments. Probability of default and loss severity are the significant unobservable inputs used in the valuation of risk participation agreements. The fair values of Level 3 assets and liabilities related to these interest rate contract financial derivatives as of December 31, 2019 and 2018 are included in the Insignificant Level 3 assets, net of liabilities line item in Table 53 of this Note 6.

In connection with the sales of portions of our Visa Class B common shares, we entered into swap agreements with the purchasers of the shares to retain any future risk of decreases in the conversion rate of Class B common shares to Class A common shares resulting from increases in the escrow funded by Visa to pay for the costs of resolution of specified litigation (see Note 19 Legal Proceedings). These swaps also require PNC to make periodic payments based on the market price of the Class A common shares at a fixed rate of interest (in certain cases subject to step-up provisions) until the Visa litigation is resolved. An increase in the estimated length of litigation resolution date, a decrease in the estimated conversion rate, or an increase in the estimated growth rate of the Class A share price will each have a negative impact on the fair value of the swaps and vice versa.

The fair values of our derivatives include a credit valuation adjustment to reflect our own and our counterparties' nonperformance risk. Our credit valuation adjustment is computed using new loan pricing and considers externally available bond spreads, in conjunction with internal historical recovery observations.

**Other Assets and Liabilities**

Other assets held at fair value on a recurring basis primarily include assets related to PNC's deferred compensation and supplemental incentive savings plans.

The assets related to PNC's deferred compensation and supplemental incentive savings plans primarily consist of a prepaid forward contract referencing an amount of shares of PNC stock, equity mutual funds and fixed income funds, and are valued based on the underlying investments. These assets are valued either by reference to the market price of PNC's stock or by using the quoted market prices for investments other than PNC's stock and are classified in Levels 1 and 2.

All Level 3 other assets and liabilities are included in the Insignificant Level 3 assets, net of liabilities line item in Table 53 in this Note 6.

**Other Borrowed Funds**

Other borrowed funds primarily consist of U.S. Treasury securities sold short which are classified as Level 1. Other borrowed funds also includes the related liability for certain repurchased loans for which we have elected the fair value option and are classified as either Level 2 or Level 3, consistent with the level classification of the corresponding loans. All Level 3 amounts are included in the Insignificant Level 3 assets, net of liabilities line item in Table 53 in this Note 6.

The following table summarizes our assets and liabilities measured at fair value on a recurring basis, including instruments for which we have elected the fair value option.

***Table 51: Fair Value Measurements – Recurring Basis Summary***

| | December 31, 2019 | | | | December 31, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| In millions | Level 1 | Level 2 | Level 3 | Total Fair Value | Level 1 | Level 2 | Level 3 | Total Fair Value |
| Assets | | | | | | | | |
| Residential mortgage loans held for sale | | $ 817 | $ 2 | $ 819 | | $ 493 | $ 2 | $ 495 |
| Commercial mortgage loans held for sale | | 182 | 64 | 246 | | 309 | 87 | 396 |
| Securities available for sale | | | | | | | | |
| U.S. Treasury and government agencies | $ 16,236 | 280 | | 16,516 | $ 17,753 | 347 | | 18,100 |
| Residential mortgage-backed | | | | | | | | |
| Agency | | 36,321 | | 36,321 | | 28,993 | | 28,993 |
| Non-agency | | 73 | 1,741 | 1,814 | | 83 | 2,128 | 2,211 |
| Commercial mortgage-backed | | | | | | | | |
| Agency | | 3,118 | | 3,118 | | 2,577 | | 2,577 |
| Non-agency | | 3,372 | | 3,372 | | 2,657 | | 2,657 |
| Asset-backed | | 4,874 | 240 | 5,114 | | 4,698 | 274 | 4,972 |
| Other | | 2,834 | 74 | 2,908 | | 3,795 | 84 | 3,879 |
| Total securities available for sale | 16,236 | 50,872 | 2,055 | 69,163 | 17,753 | 43,150 | 2,486 | 63,389 |
| Loans | | 442 | 300 | 742 | | 510 | 272 | 782 |
| Equity investments (a) | 855 | | 1,276 | 2,421 | 751 | | 1,255 | 2,209 |
| Residential mortgage servicing rights | | | 995 | 995 | | | 1,257 | 1,257 |
| Commercial mortgage servicing rights | | | 649 | 649 | | | 726 | 726 |
| Trading securities (b) | 433 | 2,787 | | 3,220 | 2,137 | 1,777 | 2 | 3,916 |
| Financial derivatives (b) (c) | | 3,448 | 54 | 3,502 | 3 | 2,053 | 25 | 2,081 |
| Other assets | 339 | 131 | | 470 | 291 | 157 | 45 | 493 |
| Total assets (d) | $ 17,863 | $ 58,679 | $ 5,395 | $ 82,227 | $ 20,935 | $ 48,449 | $ 6,157 | $ 75,744 |
| Liabilities | | | | | | | | |
| Other borrowed funds | $ 385 | $ 126 | $ 7 | $ 518 | $ 868 | $ 132 | $ 7 | $ 1,007 |
| Financial derivatives (c) (e) | | 1,819 | 200 | 2,019 | 1 | 2,021 | 268 | 2,290 |
| Other liabilities | | | 137 | 137 | | | 58 | 58 |
| Total liabilities (f) | $ 385 | $ 1,945 | $ 344 | $ 2,674 | $ 869 | $ 2,153 | $ 333 | $ 3,355 |

(a) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.
(b) Included in Other assets on the Consolidated Balance Sheet.
(c) Amounts at December 31, 2019 and 2018 are presented gross and are not reduced by the impact of legally enforceable master netting agreements that allow us to net positive and negative positions and cash collateral held or placed with the same counterparty. See Note 13 Financial Derivatives for additional information related to derivative offsetting.
(d) Total assets at fair value as a percentage of total consolidated assets was 20% at both December 31, 2019 and 2018. Level 3 assets as a percentage of total assets at fair value was 7% and 8% as of December 31, 2019 and 2018, respectively. Level 3 assets as a percentage of total consolidated assets was 1% and 2% as of December 31, 2019 and 2018, respectively.
(e) Included in Other liabilities on the Consolidated Balance Sheet.
(f) Total liabilities at fair value as a percentage of total consolidated liabilities was 1% at both December 31, 2019 and 2018. Level 3 liabilities as a percentage of total liabilities at fair value was 13% and 10% as of December 31, 2019 and 2018, respectively. Level 3 liabilities as a percentage of total consolidated liabilities was less than 1% at both December 31, 2019 and 2018.

Reconciliations of assets and liabilities measured at fair value on a recurring basis using Level 3 inputs for 2019 and 2018 follow:

***Table 52: Reconciliation of Level 3 Assets and Liabilities***

***Year Ended December 31, 2019***

| Level 3 Instruments Only<br>In millions | Fair Value Dec. 31, 2018 | Total realized / unrealized gains or losses for the period (a) | | Purchases | Sales | Issuances | Settlements | Transfers into Level 3 | Transfers out of Level 3 | Fair Value Dec. 31, 2019 | Unrealized gains / losses on assets and liabilities held on Consolidated Balance Sheet at December 31, 2019 (a) (b) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Included in Earnings | Included in Other comprehensive income | | | | | | | | |
| Assets | | | | | | | | | | | |
| Residential mortgage loans held for sale | $ 2 | | | $ 5 | $ (2) | | $ (2) | $ 16 | $ (17) (c) | $ 2 | |
| Commercial mortgage loans held for sale | 87 | $ 1 | | | | | (24) | | | 64 | $ 1 |
| Securities available for sale | | | | | | | | | | | |
| Residential mortgage-backed non-agency | 2,128 | 73 | $ 15 | | | | (475) | | | 1,741 | |
| Asset-backed | 274 | 6 | 3 | | | | (43) | | | 240 | |
| Other | 84 | 1 | (6) | 9 | (3) | | (11) | | | 74 | |
| Total securities available for sale | 2,486 | 80 | 12 | 9 | (3) | | (529) | | | 2,055 | |
| Loans | 272 | 13 | | 142 | (42) | | (54) | | (31) (c) | 300 | 7 |
| Equity investments | 1,255 | 262 | | 374 | (615) | | | | | 1,276 | 57 |
| Residential mortgage servicing rights | 1,257 | (250) | | 114 | | $ 36 | (162) | | | 995 | (235) |
| Commercial mortgage servicing rights | 726 | (87) | | 103 | | 53 | (146) | | | 649 | (87) |
| Trading securities | 2 | | | | | | (2) | | | | |
| Financial derivatives | 25 | 70 | | 22 | | | (63) | | | 54 | 94 |
| Other assets | 45 | | | | | | (45) | | | | |
| Total assets | $ 6,157 | $ 89 | $ 12 | $ 769 | $ (662) | $ 89 | $ (1,027) | $ 16 | $ (48) | $ 5,395 | $ (163) |
| Liabilities | | | | | | | | | | | |
| Other borrowed funds | $ 7 | | | | | $ 52 | $ (52) | | | $ 7 | |
| Financial derivatives | 268 | $ 101 | | | $ 10 | | (179) | | | 200 | $ 112 |
| Other liabilities | 58 | 68 | | $ 16 | 2 | 81 | (88) | | | 137 | 49 |
| Total liabilities | $ 333 | $ 169 | | $ 16 | $ 12 | $ 133 | $ (319) | | | $ 344 | $ 161 |
| Net gains (losses) | | $ (80) (d) | | | | | | | | | $ (324) (e) |

***Year Ended December 31, 2018***

| Level 3 Instruments Only<br>In millions | Fair Value Dec. 31, 2017 | Total realized / unrealized gains or losses for the period (a)<br>Included in Earnings | <br>Included in Other comprehensive income | Purchases | Sales | Issuances | Settlements | Transfers into Level 3 | Transfers out of Level 3 | Fair Value Dec. 31, 2018 | Unrealized gains / losses on assets and liabilities held on Consolidated Balance Sheet at December 31, 2018 (a) (b) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Assets | | | | | | | | | | | |
| Residential mortgage loans held for sale | $ 3 | | | $ 4 | $ (3) | | | $ 14 | $ (16) (c) | $ 2 | |
| Commercial mortgage loans held for sale | 107 | | | | | | $ (20) | | | 87 | $ 1 |
| Securities available for sale | | | | | | | | | | | |
| Residential mortgage-backed non-agency | 2,661 | $ 53 | $ (24) | | | | (562) | | | 2,128 | |
| Asset-backed | 332 | 5 | (7) | | | | (56) | | | 274 | |
| Other | 87 | 5 | 6 | 7 | | | (16) | | (5) | 84 | |
| Total securities available for sale | 3,080 | 63 | (25) | 7 | | | (634) | | (5) | 2,486 | |
| Loans | 298 | 13 | | 102 | (25) | | (74) | 10 | (52) (c) | 272 | 2 |
| Equity investments | 1,036 | 204 | | 411 | (396) | | | | | 1,255 | 110 |
| Residential mortgage servicing rights | 1,164 | 90 | | 129 | | $ 44 | (170) | | | 1,257 | 83 |
| Commercial mortgage servicing rights | 668 | 51 | | 93 | | 57 | (143) | | | 726 | 51 |
| Trading securities | 2 | | | | | | | | | 2 | |
| Financial derivatives | 10 | 59 | | 4 | | | (48) | | | 25 | 47 |
| Other assets | 107 | (14) | | | | | (48) | | | 45 | (14) |
| Total assets | $ 6,475 | $ 466 | $ (25) | $ 750 | $ (424) | $ 101 | $ (1,137) | $ 24 | $ (73) | $ 6,157 | $ 280 |
| Liabilities | | | | | | | | | | | |
| Other borrowed funds | $ 11 | | | | | $ 64 | $ (68) | | | $ 7 | |
| Financial derivatives | 487 | $ (53) | | | $ 12 | | (178) | | | 268 | $ (42) |
| Other liabilities | 33 | 15 | | $ 12 | | 103 | (105) | | | 58 | 13 |
| Total liabilities | $ 531 | $ (38) | | $ 12 | $ 12 | $ 167 | $ (351) | | | $ 333 | $ (29) |
| Net gains (losses) | | $ 504 (d) | | | | | | | | | $ 309 (e) |

(a) Losses for assets are bracketed while losses for liabilities are not.

(b) The amount of the total gains or losses for the period included in earnings that is attributable to the change in unrealized gains or losses related to those assets and liabilities held at the end of the reporting period.

(c) Residential mortgage loan transfers out of Level 3 are primarily driven by residential mortgage loans transferring to OREO as well as reclassification of mortgage loans held for sale to held for investment.

(d) Net gains (losses) realized and unrealized included in earnings related to Level 3 assets and liabilities included amortization and accretion. The amortization and accretion amounts were included in Interest income on the Consolidated Income Statement and the remaining net gains (losses) realized and unrealized were included in Noninterest income on the Consolidated Income Statement.

(e) Net unrealized gains (losses) related to assets and liabilities held at the end of the reporting period were included in Noninterest income on the Consolidated Income Statement.

An instrument's categorization within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Changes from one quarter to the next related to the observability of inputs to a fair value measurement may result in a reclassification (transfer) of assets or liabilities between hierarchy levels. Our policy is to recognize transfers in and transfers out as of the end of the reporting period.

Quantitative information about the significant unobservable inputs within Level 3 recurring assets and liabilities follows.

***Table 53: Fair Value Measurements – Recurring Quantitative Information***

***December 31, 2019***

| Level 3 Instruments Only<br>Dollars in millions | Fair Value | Valuation Techniques | Unobservable Inputs | Range (Weighted Average) |
|---|---|---|---|---|
| Commercial mortgage loans held for sale | $ 64 | Discounted cash flow | Spread over the benchmark curve (a) | 530bps - 2,935bps (1,889bps) |
| Residential mortgage-backed non-agency securities | 1,741 | Priced by a third-party vendor using a discounted cash flow pricing model | Constant prepayment rate | 1.0% - 36.2% (9.9%) |
| | | | Constant default rate | 0.0% - 14.1% (4.3%) |
| | | | Loss severity | 26.6% - 95.7% (51.9%) |
| | | | Spread over the benchmark curve (a) | 188bps weighted-average |
| Asset-backed securities | 240 | Priced by a third-party vendor using a discounted cash flow pricing model | Constant prepayment rate | 1.0% - 22.0% (7.5%) |
| | | | Constant default rate | 1.0% - 7.2% (3.4%) |
| | | | Loss severity | 30.0% - 100.0% (57.6%) |
| | | | Spread over the benchmark curve (a) | 215bps weighted-average |
| Loans | 184 | Consensus pricing (b) | Cumulative default rate | 3.6% - 100.0% (76.7%) |
| | | | Loss severity | 0.0% - 100.0% (14.5%) |
| | | | Discount rate | 5.0% - 8.0% (5.2%) |
| | 72 | Discounted cash flow | Loss severity | 8.0% weighted-average |
| | | | Discount rate | 4.8% weighted-average |
| | 44 | Consensus pricing (b) | Credit and Liquidity discount | 0.0% - 99.0% (63.4%) |
| Equity investments | 1,276 | Multiple of adjusted earnings | Multiple of earnings | 5.0x - 16.5x (8.5x) |
| Residential mortgage servicing rights | 995 | Discounted cash flow | Constant prepayment rate | 0.0% - 53.8% (13.5%) |
| | | | Spread over the benchmark curve (a) | 320bps - 1,435bps (769bps) |
| Commercial mortgage servicing rights | 649 | Discounted cash flow | Constant prepayment rate | 3.5% - 18.1% (4.6%) |
| | | | Discount rate | 5.6% - 8.1% (7.9%) |
| Financial derivatives - Swaps related to sales of certain Visa Class B common shares | (176) | Discounted cash flow | Estimated conversion factor of Visa Class B shares into Class A shares | 162.3% weighted-average |
| | | | Estimated annual growth rate of Visa Class A share price | 16.0% |
| | | | Estimated length of litigation resolution date | Q1 2021 |
| Insignificant Level 3 assets, net of liabilities (c) | (38) | | | |
| Total Level 3 assets, net of liabilities (d) | $ 5,051 | | | |

***December 31, 2018***

| Level 3 Instruments Only<br>Dollars in millions | Fair Value | Valuation Techniques | Unobservable Inputs | Range (Weighted Average) |
|---|---|---|---|---|
| Commercial mortgage loans held for sale | $ 87 | Discounted cash flow | Spread over the benchmark curve (a) | 535bps - 1,900bps (1,217bps) |
| Residential mortgage-backed non-agency securities | 2,128 | Priced by a third-party vendor using a discounted cash flow pricing model | Constant prepayment rate | 1.0% - 33.0% (11.8%) |
| | | | Constant default rate | 0.0% - 18.8% (5.1%) |
| | | | Loss severity | 10.0% - 100.0% (50.8%) |
| | | | Spread over the benchmark curve (a) | 216bps weighted-average |
| Asset-backed securities | 274 | Priced by a third-party vendor using a discounted cash flow pricing model | Constant prepayment rate | 1.0% - 19.0% (8.5%) |
| | | | Constant default rate | 1.0% - 18.5% (4.0%) |
| | | | Loss severity | 15.0% - 100.0% (63.8%) |
| | | | Spread over the benchmark curve (a) | 198bps weighted-average |
| Loans | 129 | Consensus pricing (b) | Cumulative default rate | 11.0% - 100.0% (81.8%) |
| | | | Loss severity | 0.0% - 100.0% (17.2%) |
| | | | Discount rate | 5.5% - 8.3% (5.8%) |
| | 90 | Discounted cash flow | Loss severity | 8.0% weighted-average |
| | | | Discount rate | 5.8% weighted-average |
| | 53 | Consensus pricing (b) | Credit and Liquidity discount | 0.0% - 99.0% (61.3%) |
| Equity investments | 1,255 | Multiple of adjusted earnings | Multiple of earnings | 4.5x - 16.0x (8.4x) |
| Residential mortgage servicing rights | 1,257 | Discounted cash flow | Constant prepayment rate | 0.0% - 54.5% (8.7%) |
| | | | Spread over the benchmark curve (a) | 492bps - 1,455bps (806bps) |
| Commercial mortgage servicing rights | 726 | Discounted cash flow | Constant prepayment rate | 4.6% - 14.7% (5.7%) |
| | | | Discount rate | 6.9% - 8.5% (8.4%) |
| Financial derivatives - Swaps related to sales of certain Visa Class B common shares | (210) | Discounted cash flow | Estimated conversion factor of Visa Class B shares into Class A shares | 163.0% weighted-average |
| | | | Estimated annual growth rate of Visa Class A share price | 16.0% |
| | | | Estimated length of litigation resolution date | Q4 2020 |
| Insignificant Level 3 assets, net of liabilities (c) | 35 | | | |
| Total Level 3 assets, net of liabilities (d) | $ 5,824 | | | |

(a) The assumed yield spread over the benchmark curve for each instrument is generally intended to incorporate non-interest-rate risks, such as credit and liquidity risks.
(b) Consensus pricing refers to fair value estimates that are generally internally developed using information such as dealer quotes or other third-party provided valuations or comparable asset prices.
(c) Represents the aggregate amount of Level 3 assets and liabilities measured at fair value on a recurring basis that are individually and in the aggregate insignificant. The amount includes certain financial derivative assets and liabilities, trading securities, other securities, residential mortgage loans held for sale, other assets, other borrowed funds and other liabilities.
(d) Consisted of total Level 3 assets of $5.4 billion and total Level 3 liabilities of $.3 billion as of December 31, 2019 and $6.1 billion and $.3 billion as of December 31, 2018, respectively.

## Financial Assets Accounted for at Fair Value on a Nonrecurring Basis

We may be required to measure certain financial assets at fair value on a nonrecurring basis. These adjustments to fair value usually result from the application of lower of amortized cost or fair value accounting or write-downs of individual assets due to impairment and are included in Table 54.

**Nonaccrual Loans**
Nonaccrual loans represent the fair value of those loans which have been adjusted due to impairment. The impairment is primarily based on the appraised value of the collateral.

Appraisals are obtained by licensed or certified appraisers at least annually and more recently in certain instances. All third-party appraisals are reviewed and any adjustments to the initial appraisal are incorporated into the final issued appraisal report. In instances where an appraisal is not obtained, collateral value is determined consistent with external third-party appraisal standards by an internal person independent of the asset manager.

**OREO and Foreclosed Assets**
The carrying value of OREO and foreclosed assets includes valuation adjustments recorded subsequent to the transfer to OREO and foreclosed assets. These valuation adjustments are based on the fair value less cost to sell of the property. Fair value is based on appraised value or sales price and the appraisal process for OREO and foreclosed assets is the same as described above for nonaccrual loans.

**Long-Lived Assets**
Long-lived assets consists of buildings for which valuation adjustments were recorded during the period. A facility classified as held and used is impaired to the extent its carrying value is not recoverable and exceeds fair value. Valuation adjustments on buildings held for sale are based on the fair value of the property less an estimated cost to sell and are recorded subsequent to the transfer of the asset

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to held for sale status. Fair value is determined either by a third-party appraisal, recent sales offer, changes in market or property conditions, or, where we have agreed to sell the building to a third party, the contractual sales price. Impairment on these long-lived assets is recorded in Other noninterest expense on our Consolidated Income Statement.

***Table 54: Fair Value Measurements – Nonrecurring (a) (b) (c)***

| Year ended December 31<br>In millions | Fair Value | | Gains (Losses) | | |
|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2017 |
| **Assets** | | | | | |
| Nonaccrual loans | $ 136 | $ 128 | $ (76) | $ (28) | $ (8) |
| OREO and foreclosed assets | 57 | 59 | (5) | (7) | (10) |
| Long-lived assets | 5 | 11 | (3) | (4) | (168) |
| Total assets | $ 198 | $ 198 | $ (84) | $ (39) | $ (186) |

(a) All Level 3 for the periods presented.
(b) Valuation techniques applied were fair value of property or collateral.
(c) Unobservable inputs used were appraised value/sales price, broker opinions or projected income/required improvement costs. Additional quantitative information was not meaningful for the periods presented.

## Financial Instruments Accounted for under Fair Value Option

We elect the fair value option to account for certain financial instruments. For more information on these financial instruments for which the fair value option election has been made, please refer to the Fair Value Measurement section of this Note 6. These financial instruments are initially measured at fair value. Gains and losses from initial measurement and any changes in fair value are subsequently recognized in earnings.

Interest income related to changes in the fair values of these financial instruments is recorded on the Consolidated Income Statement in Other interest income, except for certain Residential mortgage loans, for which income is also recorded in Loan interest income. Changes in the value on prepaid forward contracts included in Other Assets is reported in Noninterest expense and interest expense on the Other borrowed funds is reported in Borrowed funds interest expense.

Fair values and aggregate unpaid principal balances of items for which we elected the fair value option follow.

***Table 55: Fair Value Option – Fair Value and Principal Balances***

| In millions | December 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Fair Value | Aggregate Unpaid Principal Balance | Difference | Fair Value | Aggregate Unpaid Principal Balance | Difference |
| Assets | | | | | | |
| Residential mortgage loans held for sale | | | | | | |
| Performing loans | $ 813 | $ 792 | $ 21 | $ 489 | $ 472 | $ 17 |
| Accruing loans 90 days or more past due | 2 | 2 | | 2 | 2 | |
| Nonaccrual loans | 4 | 4 | | 4 | 4 | |
| Total | $ 819 | $ 798 | $ 21 | $ 495 | $ 478 | $ 17 |
| Commercial mortgage loans held for sale (a) | | | | | | |
| Performing loans | $ 245 | $ 263 | $ (18) | $ 396 | $ 411 | $ (15) |
| Nonaccrual loans | 1 | 2 | (1) | | | |
| Total | $ 246 | $ 265 | $ (19) | $ 396 | $ 411 | $ (15) |
| Residential mortgage loans | | | | | | |
| Performing loans | $ 291 | $ 304 | $ (13) | $ 279 | $ 298 | $ (19) |
| Accruing loans 90 days or more past due | 285 | 296 | (11) | 321 | 329 | (8) |
| Nonaccrual loans | 166 | 265 | (99) | 182 | 292 | (110) |
| Total | $ 742 | $ 865 | $ (123) | $ 782 | $ 919 | $ (137) |
| Other assets | $ 132 | $ 125 | $ 7 | $ 156 | $ 176 | $ (20) |
| Liabilities | | | | | | |
| Other borrowed funds | $ 63 | $ 64 | $ (1) | $ 64 | $ 65 | $ (1) |

(a) There were no accruing loans 90 days or more past due within this category at December 31, 2019 or December 31, 2018.

The changes in fair value for items for which we elected the fair value option are as follows.

***Table 56: Fair Value Option – Changes in Fair Value (a)***

| Year ended December 31<br>In millions | Gains (Losses)<br>2019 | <br>2018 | <br>2017 |
|---|---|---|---|
| Assets | | | |
| Residential mortgage loans held for sale | $ 84 | $ 38 | $ 121 |
| Commercial mortgage loans held for sale | $ 61 | $ 67 | $ 87 |
| Residential mortgage loans | $ 23 | $ 24 | $ 27 |
| Other assets | $ 40 | $ (40) | $ 60 |

(a) The impact on earnings of offsetting hedged items or hedging instruments is not reflected in these amounts.

## Additional Fair Value Information Related to Financial Instruments Not Recorded at Fair Value

This section presents fair value information for all other financial instruments that are not recorded on the Consolidated Balance Sheet at fair value. We used the following methods and assumptions to estimate the fair value amounts for these financial instruments.

**Cash and Due from Banks and Interest-earning Deposits with Banks**
Due to their short-term nature, the carrying amounts for Cash and due from banks and Interest-earning deposits with banks reported on our Consolidated Balance Sheet approximate fair value.

**Securities Held to Maturity**
We primarily use prices obtained from pricing services, dealer quotes or recent trades to determine the fair value of securities. Refer to the Fair Value Measurement section of this Note 6 for additional information relating to our pricing processes and procedures.

**Net Loans**
Fair values are estimated based on the discounted value of expected net cash flows incorporating assumptions about prepayment rates, net credit losses and servicing fees. Nonaccrual loans are valued at their estimated recovery value. Loans are presented net of the ALLL.

**Other Assets**
Other assets includes accrued interest receivable, cash collateral, federal funds sold and resale agreements, certain loans held for sale, and FHLB and FRB stock. The aggregate carrying value of our FHLB and FRB stock was $1.6 billion and $1.8 billion at December 31, 2019 and 2018, respectively, which approximated fair value at each date.

**Deposits**
For time deposits, fair values are estimated by discounting contractual cash flows using current market rates for instruments with similar maturities. For deposits with no defined maturity, such as noninterest-bearing and interest-bearing demand and interest-bearing money market and savings deposits, carrying values approximate fair values.

**Borrowed Funds**
For short-term borrowed funds, including federal funds purchased, commercial paper, repurchase agreements and certain other short-term borrowings and payables, carrying values approximated fair values. For long-term borrowed funds, quoted market prices are used, when available, to estimate fair value. When quoted market prices are not available, fair value is estimated based on current market interest rates and credit spreads for debt with similar terms and maturities.

**Unfunded Loan Commitments and Letters of Credit**
The fair value of unfunded loan commitments and letters of credit is determined from a market participant's view including the impact of changes in interest rates and credit. We establish a liability on these facilities related to the creditworthiness of our counterparty.

**Other Liabilities**
Other liabilities includes interest-bearing cash collateral held related to derivatives and other accrued liabilities. Due to its short-term nature, the carrying value of Other liabilities reported on our Consolidated Balance Sheet approximates fair value.

The carrying amounts and estimated fair values, as well as the level within the fair value hierarchy, of these financial instruments as of December 31, 2019 and 2018 are as follows.

***Table 57: Additional Fair Value Information Related to Other Financial Instruments***

| In millions | Carrying Amount | Fair Value | | | |
|---|---|---|---|---|---|
| | | Total | Level 1 | Level 2 | Level 3 |
| **December 31, 2019** | | | | | |
| **Assets** | | | | | |
| Cash and due from banks | $ 5,061 | $ 5,061 | $ 5,061 | | |
| Interest-earning deposits with banks | 23,413 | 23,413 | | $ 23,413 | |
| Securities held to maturity | 17,661 | 18,044 | 832 | 17,039 | $ 173 |
| Net loans (excludes leases) | 229,205 | 232,670 | | | 232,670 |
| Other assets | 5,700 | 5,700 | | 5,692 | 8 |
| Total assets | $ 281,040 | $ 284,888 | $ 5,893 | $ 46,144 | $ 232,851 |
| **Liabilities** | | | | | |
| Time deposits | $ 21,663 | $ 21,425 | | $ 21,425 | |
| Borrowed funds | 59,745 | 60,399 | | 58,622 | $ 1,777 |
| Unfunded loan commitments and letters of credit | 318 | 318 | | | 318 |
| Other liabilities | 506 | 506 | | 506 | |
| Total liabilities | $ 82,232 | $ 82,648 | | $ 80,553 | $ 2,095 |
| December 31, 2018 | | | | | |
| **Assets** | | | | | |
| Cash and due from banks | $ 5,608 | $ 5,608 | $ 5,608 | | |
| Interest-earning deposits with banks | 10,893 | 10,893 | | $ 10,893 | |
| Securities held to maturity | 19,312 | 19,019 | 763 | 18,112 | $ 144 |
| Net loans (excludes leases) | 215,525 | 216,492 | | | 216,492 |
| Other assets | 11,065 | 11,065 | | 11,060 | 5 |
| Total assets | $ 262,403 | $ 263,077 | $ 6,371 | $ 40,065 | $ 216,641 |
| **Liabilities** | | | | | |
| Time deposits | $ 18,507 | $ 18,246 | | $ 18,246 | |
| Borrowed funds | 56,412 | 56,657 | | 54,872 | $ 1,785 |
| Unfunded loan commitments and letters of credit | 285 | 285 | | | 285 |
| Other liabilities | 393 | 393 | | 393 | |
| Total liabilities | $ 75,597 | $ 75,581 | | $ 73,511 | $ 2,070 |

The aggregate fair values in Table 57 represent only a portion of the total market value of our total assets and liabilities as, in accordance with the guidance related to fair values about financial instruments, we exclude the following:

- financial instruments recorded at fair value on a recurring basis (as they are disclosed in Table 51);
- investments accounted for under the equity method;
- equity securities without a readily determinable fair value that apply for the alternative measurement approach to fair value under ASU 2016-01;
- real and personal property;
- lease financing;
- loan customer relationships;
- deposit customer intangibles;
- mortgage servicing rights (MSRs);
- retail branch networks;
- fee-based businesses, such as asset management and brokerage;
- trademarks and brand names;
- trade receivables and payables due in one year or less; and
- deposit liabilities with no defined or contractual maturities under ASU 2016-01.

## NOTE 7 GOODWILL AND MORTGAGE SERVICING RIGHTS

Assets and liabilities of acquired entities are recorded at estimated fair value as of the acquisition date.

### Goodwill

Allocations of Goodwill by business segment during 2019, 2018 and 2017 follow:

***Table 58: Goodwill by Business Segment (a)***

| In millions | Retail Banking | Corporate & Institutional Banking | Asset Management Group | Total |
|---|---|---|---|---|
| December 31, 2019 (b) | $ 5,795 | $ 3,374 | $ 64 | $ 9,233 |
| December 31, 2018 (b) | $ 5,795 | $ 3,359 | $ 64 | $ 9,218 |
| December 31, 2017 | $ 5,795 | $ 3,314 | $ 64 | $ 9,173 |

(a) The BlackRock business segment did not have any allocated goodwill during 2019, 2018 and 2017.
(b) Corporate & Institutional Banking's goodwill balances include the impacts of $15 million at December 31, 2019 and $45 million at December 31, 2018 resulting from business acquisitions.

We review goodwill in each of our reporting units for impairment at least annually, in the fourth quarter, or more frequently if events occur or circumstances have changed significantly from the annual test date. Based on the results of our analysis, there were no impairment charges related to goodwill in 2019, 2018 or 2017.

### Mortgage Servicing Rights

We recognize the right to service mortgage loans for others as an intangible asset when the servicing income we receive is more than adequate compensation. MSRs are purchased or originated when loans are sold with servicing retained. MSRs totaled $1.6 billion at December 31, 2019 and $2.0 billion at December 31, 2018, and consisted of loan servicing contracts for commercial and residential mortgages measured at fair value.

**Commercial Mortgage Servicing Rights**
We recognize gains/(losses) on changes in the fair value of commercial MSRs. Commercial MSRs are subject to changes in value from actual or expected prepayment of the underlying loans and defaults as well as market driven changes in interest rates. We manage this risk by economically hedging the fair value of commercial MSRs with securities, derivative instruments and resale agreements which are expected to increase (or decrease) in value when the value of commercial MSRs decreases (or increases).

The fair value of commercial MSRs is estimated by using a discounted cash flow model incorporating inputs for assumptions as to constant prepayment rates, discount rates and other factors determined based on current market conditions and expectations.

Changes in the commercial MSRs follow:

***Table 59: Commercial Mortgage Servicing Rights***

| In millions | 2019 | 2018 | 2017 |
|---|---|---|---|
| January 1 | $ 726 | $ 668 | $ 576 |
| Additions: | | | |
| From loans sold with servicing retained | 53 | 57 | 88 |
| Purchases | 103 | 93 | 69 |
| Changes in fair value due to: | | | |
| Time and payoffs (a) | (146) | (143) | (111) |
| Other (b) | (87) | 51 | 46 |
| December 31 | $ 649 | $ 726 | $ 668 |
| Related unpaid principal balance at December 31 | $ 216,992 | $ 180,496 | $ 162,182 |
| Servicing advances at December 31 | $ 157 | $ 220 | $ 217 |

(a) Represents decrease in MSR value due to passage of time, including the impact from both regularly scheduled loan principal payments and loans that were paid down or paid off during the period.
(b) Represents MSR value changes resulting primarily from market-driven changes in interest rates.

**Residential Mortgage Servicing Rights**
Residential MSRs are subject to changes in value from actual or expected prepayment of the underlying loans and defaults as well as market driven changes in interest rates. We manage this risk by economically hedging the fair value of residential MSRs with

securities and derivative instruments which are expected to increase (or decrease) in value when the value of residential MSRs decreases (or increases).

The fair value of residential MSRs is estimated by using a discounted cash flow valuation model which calculates the present value of estimated future net servicing cash flows, taking into consideration actual and expected mortgage loan prepayment rates, discount rates, servicing costs, and other factors which are determined based on current market conditions.

Changes in the residential MSRs follow:

***Table 60: Residential Mortgage Servicing Rights***

| In millions | 2019 | 2018 | 2017 |
|---|---|---|---|
| January 1 | $ 1,257 | $ 1,164 | $ 1,182 |
| Additions: | | | |
| From loans sold with servicing retained | 36 | 44 | 55 |
| Purchases | 114 | 129 | 185 |
| Changes in fair value due to: | | | |
| Time and payoffs (a) | (162) | (170) | (175) |
| Other (b) | (250) | 90 | (83) |
| December 31 | $ 995 | $ 1,257 | $ 1,164 |
| Unpaid principal balance of loans serviced for others at December 31 | $ 120,464 | $ 125,388 | $ 126,769 |
| Servicing advances at December 31 | $ 111 | $ 156 | $ 201 |

(a) Represents decrease in MSR value due to passage of time, including the impact from both regularly scheduled loan principal payments and loans that were paid down or paid off during the period.
(b) Represents MSR value changes resulting from market-driven changes in interest rates.

**Sensitivity Analysis**
The fair value of commercial and residential MSRs and significant inputs to the valuation models as of December 31, 2019 are shown in Tables 61 and 62. The expected and actual rates of mortgage loan prepayments are significant factors driving the fair value. Management uses both internal proprietary models and a third-party model to estimate future commercial mortgage loan prepayments and a third-party model to estimate future residential mortgage loan prepayments. These models have been refined based on current market conditions and management judgment. Future interest rates are another important factor in the valuation of MSRs. Management utilizes market implied forward interest rates to estimate the future direction of mortgage and discount rates. The forward rates utilized are derived from the current yield curve for U.S. dollar interest rate swaps and are consistent with pricing of capital markets instruments. Changes in the shape and slope of the forward curve in future periods may result in volatility in the fair value estimate.

A sensitivity analysis of the hypothetical effect on the fair value of MSRs to adverse changes in key assumptions is presented in Tables 61 and 62. These sensitivities do not include the impact of the related hedging activities. Changes in fair value generally cannot be extrapolated because the relationship of the change in the assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the MSRs is calculated independently without changing any other assumption. In reality, changes in one factor may result in changes in another (*e.g.*, changes in mortgage interest rates, which drive changes in prepayment rate estimates, could result in changes in the interest rate spread), which could either magnify or counteract the sensitivities.

The following tables set forth the fair value of commercial and residential MSRs and the sensitivity analysis of the hypothetical effect on the fair value of MSRs to immediate adverse changes of 10% and 20% in those assumptions:

***Table 61: Commercial Mortgage Servicing Rights – Key Valuation Assumptions***

| Dollars in millions | December 31 2019 | December 31 2018 |
|---|---|---|
| Fair value | $ 649 | $ 726 |
| Weighted-average life (years) | 4.1 | 4.1 |
| Weighted-average constant prepayment rate | 4.56% | 5.65% |
| Decline in fair value from 10% adverse change | $ 9 | $ 10 |
| Decline in fair value from 20% adverse change | $ 17 | $ 19 |
| Effective discount rate | 7.91% | 8.39% |
| Decline in fair value from 10% adverse change | $ 17 | $ 19 |
| Decline in fair value from 20% adverse change | $ 34 | $ 39 |

***Table 62: Residential Mortgage Servicing Rights – Key Valuation Assumptions***

| Dollars in millions | December 31 2019 | December 31 2018 |
|---|---|---|
| Fair value | $ 995 | $ 1,257 |
| Weighted-average life (years) | 5.2 | 6.9 |
| Weighted-average constant prepayment rate | 13.51 % | 8.69 % |
| Decline in fair value from 10% adverse change | $ 46 | $ 41 |
| Decline in fair value from 20% adverse change | $ 89 | $ 79 |
| Weighted-average option adjusted spread | 769 bps | 806 bps |
| Decline in fair value from 10% adverse change | $ 27 | $ 37 |
| Decline in fair value from 20% adverse change | $ 52 | $ 73 |

Fees from mortgage loan servicing, which includes contractually specified servicing fees, late fees and ancillary fees were $.5 billion for each of 2019, 2018 and 2017. We also generate servicing fees from fee-based activities provided to others for which we do not have an associated servicing asset. Fees from commercial and residential MSRs are reported on our Consolidated Income Statement in Corporate services and Residential mortgage, respectively.

## NOTE 8 PREMISES, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Premises, equipment and leasehold improvements, stated at cost less accumulated depreciation and amortization, were as follows:

***Table 63: Premises, Equipment and Leasehold Improvements***

| In millions | December 31 2019 | December 31 2018 |
|---|---|---|
| Premises, equipment and leasehold improvements | $ 14,681 | $ 11,864 |
| Accumulated depreciation and amortization | (6,953) | (6,137) |
| Net book value | $ 7,728 | $ 5,727 |

The following table includes depreciation expense on premises, equipment and leasehold improvements, as well as amortization expense, excluding intangible assets, primarily for capitalized internally developed software.

***Table 64: Depreciation and Amortization Expense***

| Year ended December 31 In millions | 2019 | 2018 | 2017 |
|---|---|---|---|
| Depreciation | $ 778 | $ 754 | $ 743 |
| Amortization | 109 | 78 | 56 |
| Total depreciation and amortization | $ 887 | $ 832 | $ 799 |

## NOTE 9 TIME DEPOSITS

Total time deposits of $21.7 billion at December 31, 2019 have future contractual maturities as follows:

***Table 65: Time Deposits***

| In billions | |
|---|---|
| 2020 | $ 18.6 |
| 2021 | $ 1.6 |
| 2022 | $ .6 |
| 2023 | $ .4 |
| 2024 | $ .2 |
| 2025 and thereafter | $ .3 |

## NOTE 10 BORROWED FUNDS

The following shows the carrying value of total borrowed funds of $60.3 billion at December 31, 2019 (including adjustments related to purchase accounting, accounting hedges and unamortized original issuance discounts) by remaining contractual maturity:

***Table 66: Borrowed Funds***

| In billions | |
|---|---|
| 2020 | $ 27.1 |
| 2021 | $ 8.5 |
| 2022 | $ 8.0 |
| 2023 | $ 2.3 |
| 2024 | $ 3.0 |
| 2025 and thereafter | $ 11.4 |

The following table presents the contractual rates and maturity dates of our FHLB borrowings, senior debt and subordinated debt as of December 31, 2019 and the carrying values as of December 31, 2019 and 2018.

***Table 67: FHLB Borrowings, Senior Debt and Subordinated Debt***

| | Stated Rate | Maturity | Carrying Value | |
|---|---|---|---|---|
| Dollars in millions | 2019 | 2019 | 2019 | 2018 |
| **Parent Company** | | | | |
| Senior debt | 2.20%-5.13% | 2020-2029 | $ 8,843 | $ 5,063 |
| Subordinated debt | 3.90% | 2024 | 777 | 1,447 |
| Junior subordinated debt | 2.48% | 2028 | 205 | 205 |
| **Subtotal** | | | 9,825 | 6,715 |
| **Bank** | | | | |
| FHLB (a) | zero-6.35% | 2020-2030 | 16,341 | 21,501 |
| Senior debt | 1.38%-3.50% | 2020-2043 | 20,167 | 19,955 |
| Subordinated debt | 2.70%-4.20% | 2022-2029 | 5,152 | 4,243 |
| **Subtotal** | | | 41,660 | 45,699 |
| **Total** | | | $ 51,485 | $ 52,414 |

(a) FHLB borrowings are generally collateralized by residential mortgage loans, other mortgage-related loans and investment securities.

In Table 67, the carrying values for Parent Company senior and subordinated debt include basis adjustments of $177 million and $34 million, respectively, whereas Bank senior and subordinated debt include basis adjustments of $167 million and $170 million, respectively, related to fair value accounting hedges as of December 31, 2019.

Certain borrowings are reported at fair value, refer to Note 6 Fair Value for more information on those borrowings.

### Junior Subordinated Debentures

PNC Capital Trust C, a wholly-owned finance subsidiary of The PNC Financial Services Group, Inc., owns junior subordinated debentures issued by PNC with a carrying value of $205 million. In June 1998, PNC Capital Trust C issued $200 million of trust preferred securities which bear interest at an annual rate of 3 month LIBOR plus 57 basis points. The trust preferred securities are currently redeemable by PNC Capital Trust C at par. In accordance with GAAP, the financial statements of the Trust are not included in our consolidated financial statements.

The obligations of The PNC Financial Services Group, Inc., as the parent of the Trust, when taken collectively, are the equivalent of a full and unconditional guarantee of the obligations of the Trust under the terms of the trust preferred securities. Such guarantee is subordinate in right of payment in the same manner as other junior subordinated debt. There are certain restrictions on our overall ability to obtain funds from our subsidiaries. For additional disclosure on these funding restrictions, see Note 18 Regulatory Matters.

We are subject to certain restrictions, including restrictions on dividend payments, in connection with the outstanding junior subordinated debentures. Generally, if there is (i) an event of default under the debenture, (ii) we elect to defer interest on the debenture, (iii) we exercise our right to defer payments on the related trust preferred securities, or (iv) there is a default under our guarantee of such payment obligations, subject to certain limited exceptions, we would be unable during the period of such default or deferral to make payments on our debt securities that rank equal or junior to the debentures as well as to make payments on our equity securities, including dividend payments.

## NOTE 11 EMPLOYEE BENEFIT PLANS

### Pension and Postretirement Plans

We have a noncontributory, qualified defined benefit pension plan covering eligible employees. Benefits are determined using a cash balance formula where earnings credits are a percentage of eligible compensation. Earnings credit percentages for those employees who were plan participants on December 31, 2009 are frozen at the level earned to that point. Earnings credits for all employees who became participants on or after January 1, 2010 are a flat 3% of eligible compensation. All plan participants earn interest on their cash balances based on 30-year Treasury securities rates with those who were participants at December 31, 2009 earning a minimum rate. New participants on or after January 1, 2010 are not subject to the minimum rate. Beginning in 2018, the plan provides for a minimum annual earnings credit amount of $2,000, subject to eligibility criteria. Pension contributions to the plan are typically based on an actuarially determined amount necessary to fund total benefits payable to plan participants. Assets of the qualified pension plan are held in a separate Trust (Trust).

We also maintain nonqualified supplemental retirement plans for certain employees and provide certain health care and life insurance benefits for qualifying retired employees (postretirement benefits) through various plans. PNC reserves the right to terminate or make changes to these plans at any time. The nonqualified pension plan is unfunded. Contributions from PNC and, in the case of the postretirement benefit plans, participant contributions cover all benefits paid under the nonqualified pension plan and postretirement benefit plans. The postretirement plan provides benefits to certain retirees that are at least actuarially equivalent to those provided by Medicare Part D and accordingly, we receive a federal subsidy as shown in Table 68. In November of 2015, we established a voluntary employee beneficiary association (VEBA) to partially fund postretirement medical and life insurance benefit obligations.

We use a measurement date of December 31 for plan assets and benefit obligations. The qualified pension plan assets and benefit obligation were re-measured as of January 31, 2019 as a result of a plan amendment. A reconciliation of the changes in the projected benefit obligation for qualified pension, nonqualified pension and postretirement benefit plans as well as the change in plan assets for the qualified pension plan follows.

*Table 68: Reconciliation of Changes in Projected Benefit Obligation and Change in Plan Assets*

| In millions | Qualified Pension | | Nonqualified Pension | | Postretirement Benefits | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Accumulated benefit obligation at December 31 | $ 4,740 | $ 4,315 | $ 259 | $ 253 | | |
| Projected benefit obligation at January 1 | $ 4,355 | $ 4,789 | $ 258 | $ 286 | $ 322 | $ 355 |
| Service cost | 115 | 116 | 3 | 3 | 4 | 5 |
| Interest cost | 186 | 171 | 10 | 9 | 13 | 12 |
| Amendments | 21 | | | | | |
| Actuarial (gains)/losses and changes in assumptions | 498 | (424) | 25 | (16) | 18 | (28) |
| Participant contributions | | | | | 3 | 3 |
| Federal Medicare subsidy on benefits paid | | | | | | 1 |
| Benefits paid | (288) | (297) | (31) | (24) | (27) | (26) |
| Projected benefit obligation at December 31 | $ 4,887 | $ 4,355 | $ 265 | $ 258 | $ 333 | $ 322 |
| Fair value of plan assets at January 1 | $ 4,963 | $ 5,253 | | | $ 232 | $ 230 |
| Actual return on plan assets | 979 | (193) | | | 15 | 3 |
| Employer contribution | | 200 | $ 31 | $ 24 | 24 | 21 |
| Participant contributions | | | | | 3 | 3 |
| Federal Medicare subsidy on benefits paid | | | | | | 1 |
| Benefits paid | (288) | (297) | (31) | (24) | (27) | (26) |
| Fair value of plan assets at December 31 | $ 5,654 | $ 4,963 | $ — | $ — | $ 247 | $ 232 |
| Funded status | $ 767 | $ 608 | $ (265) | $ (258) | $ (86) | $ (90) |
| Amounts recognized on the consolidated balance sheet | | | | | | |
| Noncurrent asset | $ 767 | $ 608 | | | | |
| Current liability | | | $ (26) | $ (26) | $ (2) | $ (2) |
| Noncurrent liability | | | (239) | (232) | (84) | (88) |
| Net amount recognized on the consolidated balance sheet | $ 767 | $ 608 | $ (265) | $ (258) | $ (86) | $ (90) |
| Amounts recognized in AOCI consist of: | | | | | | |
| Prior service cost (credit) | $ 29 | $ 12 | | | $ 2 | $ 1 |
| Net actuarial loss (gain) | 411 | 608 | $ 78 | $ 57 | 1 | (7) |
| Amount of loss (gain) recognized in AOCI | $ 440 | $ 620 | $ 78 | $ 57 | $ 3 | $ (6) |

## PNC Pension Plan Assets

The long-term investment strategy for pension plan assets in our qualified pension plan (the Plan) is to:

- Meet present and future benefit obligations to all participants and beneficiaries;
- Cover reasonable expenses incurred to provide such benefits, including expenses incurred in the administration of the Trust and the Plan;
- Provide sufficient liquidity to meet benefit and expense payment requirements on a timely basis; and
- Provide a total return that, over the long term, maximizes the ratio of trust assets to liabilities by maximizing investment return, at an appropriate level of risk.

The Plan's named investment fiduciary has the ability to make short to intermediate term asset allocation shifts under the dynamic asset allocation strategy based on factors such as the Plan's funded status, the named investment fiduciary's view of return on equities relative to long term expectations, the named investment fiduciary's view on the direction of interest rates and credit spreads, and other relevant financial or economic factors which would be expected to impact the ability of the Trust to meet its obligation to participants and beneficiaries. Accordingly, the allowable asset allocation ranges have been updated to incorporate the flexibility required by the dynamic allocation policy.

The asset strategy allocations for the Plan at the end of 2019 and 2018, and the target allocation range at the end of 2019, by asset category, are as follows.

***Table 69: Asset Strategy Allocations***

| | Target Allocation Range | Percentage of Plan Assets by Strategy at December 31 | |
|---|---|---|---|
| | | 2019 | 2018 |
| Asset Category | | | |
| Domestic Equity | 20 – 40% | 27% | 27% |
| International Equity | 10 – 25% | 17% | 22% |
| Private Equity | 0 – 15% | 10% | 11% |
| Total Equity | 40 – 70% | 54% | 60% |
| Domestic Fixed Income | 10 – 40% | 23% | 18% |
| High Yield Fixed Income | 0 – 25% | 8% | 9% |
| Total Fixed Income | 10 – 65% | 31% | 27% |
| Real estate | 0 – 10% | 5% | 5% |
| Other | 0 – 15% | 10% | 8% |
| Total | 100% | 100% | 100% |

The asset category represents the allocation of Plan assets in accordance with the investment objective of each of the Plan's investment managers. Certain domestic equity investment managers utilize derivatives and fixed income securities as described in their Investment Management Agreements to achieve their investment objective under the Investment Policy Statement. Other investment managers may invest in eligible securities outside of their assigned asset category to meet their investment objectives. The actual percentage of the fair value of total Plan assets held as of December 31, 2019 for equity securities, fixed income securities, real estate and all other assets are 61%, 24%, 4% and 11%, respectively.

We believe that, over the long term, asset allocation is the single greatest determinant of risk. Asset allocation will deviate from the target percentages due to market movement, cash flows, investment manager performance and implementation of shifts under the dynamic asset allocation policy. Material deviations from the asset allocation targets can alter the expected return and risk of the Trust. However, frequent rebalancing of the asset allocation targets may result in significant transaction costs, which can impair the Trust's ability to meet its investment objective. Accordingly, the Trust portfolio is periodically rebalanced to maintain asset allocation within the target ranges described above.

In addition to being diversified across asset classes, the Trust is diversified within each asset class. Secondary diversification provides a reasonable basis for the expectation that no single security or class of securities will have a disproportionate impact on the total risk and return of the Trust.

Where investment strategies permit the use of derivatives and/or currency management, language is incorporated in the managers' guidelines to define allowable and prohibited transactions and/or strategies. Derivatives are typically employed by investment managers to modify risk/return characteristics of their portfolio(s), implement asset allocation changes in a cost effective manner, or reduce transaction costs. Under the managers' investment guidelines, derivatives may not be used solely for speculation or leverage. Derivatives are to be used only in circumstances where they offer the most efficient economic means of improving the risk/reward profile of the portfolio.

**Fair Value Measurements**

As further described in Note 6 Fair Value, GAAP establishes the framework for measuring fair value, including a hierarchy used to classify the inputs used in measuring fair value.

A description of the valuation methodologies used for assets measured at fair value at both December 31, 2019 and 2018 follows:

| Asset | Valuation Methodology |
|---|---|
| Money market funds | • Valued at the net asset value of the shares held by the pension plan at year end. |
| U.S. government and agency securities<br>Corporate debt<br>Common stock | • Valued at the closing price reported on the active market on which the individual securities are traded.<br>• If quoted market prices are not available for the specific security, then fair values are estimated by using pricing models or quoted prices of securities with similar characteristics. Such securities are generally classified within Level 2 of the valuation hierarchy but may be a Level 3 depending on the level of liquidity and activity in the market for the security. |
| Mutual funds | • Valued based on third-party pricing of the fund which is not actively traded. |
| Other investments<br>Derivative financial instruments<br>Group annuity contracts<br>Preferred stock | • Derivative financial instruments - recorded at estimated fair value as determined by third-party appraisals and pricing models.<br>• Group annuity contracts - measured at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.<br>• Preferred stock - Valued at the closing price reported on an active market on which the securities are traded. |
| Investments measured at NAV<br>Collective trust fund investments<br>Limited partnerships | • Collective trust fund investments - Valued based upon the units of such collective trust fund held by the Plan at year end multiplied by the respective unit value. The unit value of the collective trust fund is based upon significant observable inputs, although it is not based upon quoted marked prices in an active market. The underlying investments of the collective trust funds consist primarily of equity securities, debt obligations, short-term investments, and other marketable securities. Due to the nature of these securities, there are no unfunded commitments or redemption restrictions.<br>• Limited partnerships - Valued by investment managers based on recent financial information used to estimate fair value. The unit value of limited partnerships is based upon significant observable inputs, although it is not based upon quoted marked prices in an active market. |

These methods may result in fair value calculations that may not be indicative of net realizable values or future fair values. Furthermore, while the pension plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2019 and 2018.

***Table 70: Pension Plan Assets - Fair Value Hierarchy***

| | December 31, 2019 | | | | December 31, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| In millions | Level 1 | Level 2 | Level 3 | Total Fair Value | Level 1 | Level 2 | Level 3 | Total Fair Value |
| Interest bearing cash | | $ 1 | | $ 1 | $ 7 | $ 2 | | $ 9 |
| Money market funds | $ 456 | | | 456 | 149 | | | 149 |
| U.S. government and agency securities | 582 | 135 | $ 1 | 718 | 512 | 130 | | 642 |
| Corporate debt | | 660 | 3 | 663 | | 580 | $ 6 | 586 |
| Common stock | 620 | 1 | 4 | 625 | 623 | 6 | | 629 |
| Mutual funds | | 253 | | 253 | | 236 | | 236 |
| Other | | 126 | | 126 | 4 | 42 | 4 | 50 |
| Investments measured at net asset value (a) | | | | 2,812 | | | | 2,662 |
| Total | $ 1,658 | $ 1,176 | $ 8 | $ 5,654 | $ 1,295 | $ 996 | $ 10 | $ 4,963 |

(a) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

The following table provides information regarding our estimated future cash flows related to our various plans.

***Table 71: Estimated Cash Flows***

| | Pension Plans | | Postretirement Benefits |
|---|---|---|---|
| In millions | Qualified Pension | Nonqualified Pension | Gross PNC Benefit Payments |
| Estimated 2020 employer contributions | | $ 26 | $ 28 |
| Estimated future benefit payments | | | |
| 2020 | $ 300 | $ 26 | $ 28 |
| 2021 | $ 315 | $ 26 | $ 27 |
| 2022 | $ 329 | $ 23 | $ 26 |
| 2023 | $ 327 | $ 23 | $ 25 |
| 2024 | $ 316 | $ 21 | $ 25 |
| 2025-2029 | $ 1,557 | $ 92 | $ 111 |

The qualified pension plan contributions are deposited into the Trust, and the qualified pension plan benefit payments are paid from the Trust. We do not expect to be required to make a contribution to the qualified plan for 2020 based on the funding calculations under the Pension Protection Act of 2006. For the other plans, total contributions and the benefit payments are the same and represent expected benefit amounts, which are paid from general assets. Postretirement benefits are net of participant contributions. Estimated cash flows reflect the partial funding of postretirement medical and life insurance obligations in the VEBA.

The components of net periodic benefit cost/(income) and other amounts recognized in Other comprehensive income (OCI) were as follows.

***Table 72: Components of Net Periodic Benefit Cost (a)***

| | Qualified Pension Plan | | | Nonqualified Pension Plan | | | Postretirement Benefits | | |
|---|---|---|---|---|---|---|---|---|---|
| Year ended December 31 – in millions | 2019 (b) | 2018 | 2017 | 2019 | 2018 | 2017 | 2019 | 2018 | 2017 |
| Net periodic cost consists of: | | | | | | | | | |
| Service cost | $ 115 | $ 116 | $ 160 | $ 3 | $ 3 | $ 3 | $ 4 | $ 5 | $ 5 |
| Interest cost | 186 | 171 | 179 | 10 | 9 | 10 | 13 | 12 | 14 |
| Expected return on plan assets | (288) | (306) | (285) | | | | (5) | (6) | (5) |
| Amortization of prior service cost/(credit) | 4 | 1 | (3) | | | | | | (1) |
| Amortization of actuarial (gain)/loss | 4 | | 43 | 4 | 5 | 4 | | | |
| Net periodic cost (benefit) | 21 | (18) | 94 | 17 | 17 | 17 | 12 | 11 | 13 |
| Other changes in plan assets and benefit obligations recognized in OCI: | | | | | | | | | |
| Current year prior service cost/(credit) | 21 | | 17 | | | | | | 2 |
| Amortization of prior service (cost)/credit | (4) | (1) | 3 | | | | | | 1 |
| Current year actuarial loss/(gain) | (193) | 75 | (264) | 25 | (16) | 7 | 9 | (25) | (22) |
| Amortization of actuarial gain/(loss) | (4) | | (43) | (4) | (5) | (4) | | | |
| Total recognized in OCI | (180) | 74 | (287) | 21 | (21) | 3 | 9 | (25) | (19) |
| Total amounts recognized in net periodic cost and OCI | $ (159) | $ 56 | $ (193) | $ 38 | $ (4) | $ 20 | $ 21 | $ (14) | $ (6) |

(a) The service cost component is included in Personnel expense on the Consolidated Income Statement. All other components are included in Other noninterest expense on the Consolidated Income Statement.

(b) Includes the effects of the qualified pension plan remeasurement as of January 31, 2019 as a result of a plan amendment.

The weighted-average assumptions used (as of the beginning of each year) to determine the net periodic costs shown in Table 72 were as follows.

***Table 73: Net Periodic Costs - Assumptions***

| | Net Periodic Cost Determination | | |
|---|---|---|---|
| As of January 1 | 2019 | 2018 | 2017 |
| Discount rate | | | |
| Qualified pension (a) | 4.30% | 3.60% | 4.00% |
| Nonqualified pension | 4.15% | 3.45% | 3.80% |
| Postretirement benefits | 4.20% | 3.55% | 3.90% |
| Rate of compensation increase (average) | 3.50% | 3.50% | 3.50% |
| Assumed health care cost trend rate | | | |
| Initial trend | 6.50% | 6.75% | 7.00% |
| Ultimate trend | 5.00% | 5.00% | 5.00% |
| Year ultimate trend reached | 2025 | 2025 | 2025 |
| Expected long-term return on plan assets | 5.75% | 6.00% | 6.38% |

(a) The 2019 qualified pension discount rate was 4.15% at the time of remeasurement on January 31, 2019 as a result of a plan amendment.

The weighted-average assumptions used (as of the end of each year) to determine year end obligations for pension and postretirement benefits were as follows.

***Table 74: Other Pension Assumptions***

| Year ended December 31 | 2019 | 2018 |
|---|---|---|
| Discount rate | | |
| Qualified pension | 3.30% | 4.30% |
| Nonqualified pension | 3.05% | 4.15% |
| Postretirement benefits | 3.20% | 4.20% |
| Rate of compensation increase (average) | 4.25% | 3.50% |
| Assumed health care cost trend rate | | |
| Initial trend | 6.25% | 6.50% |
| Ultimate trend | 5.00% | 5.00% |
| Year ultimate trend reached | 2025 | 2025 |

The discount rates are determined independently for each plan by comparing the expected future benefits that will be paid under each plan with yields available on high quality corporate bonds of similar duration. For this analysis, 10% of bonds with the highest yields and 40% with the lowest yields were removed from the bond universe.

The expected return on plan assets is a long-term assumption established by considering historical and anticipated returns of the asset classes invested in by the pension plan and the allocation strategy currently in place among those classes. For purposes of setting and reviewing this assumption, “long- term” refers to the period over which the plan’s projected benefit obligations will be disbursed. We review this assumption at each measurement date and adjust it if warranted. Our selection process references certain historical data and the current environment, but primarily utilizes qualitative judgment regarding future return expectations. We also examine the assumption used by other companies with similar pension investment strategies. Taking into account all of these factors, the expected long-term return on plan assets for determining net periodic pension cost for 2019 was 5.75%. We are reducing our expected long-term return on assets to 5.50% for determining pension cost for 2020. This decision was made after considering the views of both internal and external capital market advisors, particularly with regard to the effects of the recent economic environment on long-term prospective equity and fixed income returns.

PNC’s net periodic benefit cost recognized for the plans is sensitive to the discount rate and expected long-term return on plan assets. With all other assumptions held constant, a .5% decline in the discount rate would have resulted in an immaterial increase in net periodic benefit cost for the qualified pension plan in 2019, and to be recognized in 2020. For the nonqualified pension plan and postretirement benefits, a .5% decline in the discount rate would also have resulted in an immaterial increase in net periodic benefit cost.

The health care cost trend rate assumptions shown in Tables 73 and 74 relate only to the postretirement benefit plans. The effect of a one-percentage-point increase or decrease in assumed health care cost trend rates would be insignificant.

**Defined Contribution Plans**

The PNC Incentive Savings Plan (ISP) is a qualified defined contribution plan that covers all of our eligible employees. Newly-hired full time employees and part-time employees who are eligible to participate in the ISP are automatically enrolled in the ISP with a deferral rate equal to 4% of eligible compensation in the absence of an affirmative election otherwise. Employee benefits expense related to the ISP was $139 million in 2019, $139 million in 2018 and $125 million in 2017, representing cash contributed to the ISP by PNC.

The ISP is a 401(k) Plan and includes an employee stock ownership (ESOP) feature. Employee contributions are invested in a number of investment options, including pre-mixed portfolios and individual core funds, available under the ISP at the direction of the employee.

## Note 12 Stock Based Compensation Plans

We have long-term incentive award plans (Incentive Plans) that provide for the granting of incentive stock options, nonqualified stock options, stock appreciation rights, incentive shares/performance units, restricted shares, restricted share units, other share-based awards and dollar-denominated awards to executives and, other than incentive stock options, to non-employee directors. Certain Incentive Plan awards may be paid in stock, cash or a combination of stock and cash. We typically grant a substantial portion of our stock-based compensation awards during the first quarter of each year.

**Incentive/Performance Unit Awards and Restricted Share/Restricted Share Unit Awards**

The fair value of nonvested incentive/performance unit awards and restricted share/restricted share unit awards is initially determined based on prices not less than the market value of our common stock on the date of grant with a reduction for estimated forfeitures. The value of certain incentive/performance unit awards is subsequently remeasured based on the achievement of one or more financial and other performance goals. Additionally, certain incentive/performance unit awards require subsequent adjustment to their current market value due to certain discretionary risk review triggers.

The weighted-average grant date fair value of incentive/performance unit awards and restricted share/restricted share unit awards granted in 2019, 2018 and 2017 was $117.53, $149.38 and $122.10 per share, respectively. The total intrinsic value of incentive/performance unit and restricted share/restricted share unit awards vested during 2019, 2018 and 2017 was approximately $218 million, $254 million and $235 million, respectively. We recognize compensation expense for such awards ratably over the corresponding vesting and/or performance periods for each type of program.

***Table 75: Nonvested Incentive/Performance Unit Awards and Restricted Share/Restricted Share Unit Awards Rollforward***

| Shares in thousands | Nonvested Incentive/ Performance Units Shares | Weighted-Average Grant Date Fair Value | Nonvested Restricted Share/Restricted Share Units | Weighted-Average Grant Date Fair Value |
|---|---|---|---|---|
| December 31, 2018 | 1,134 | $ 104.02 | 3,104 | $ 115.57 |
| Granted (a) | 207 | $ 115.36 | 1,560 | $ 117.82 |
| Vested/Released (a) | (494) | $ 88.29 | (1,278) | $ 84.37 |
| Forfeitures | (3) | $ 105.43 | (81) | $ 132.03 |
| **December 31, 2019** | 844 | $ 116.00 | 3,305 | $ 128.29 |

(a) Includes adjustments for achieving specific performance goals for Incentive/Performance Unit Share Awards granted in prior periods.

In Table 75, the units and related weighted-average grant date fair value of the incentive/performance unit share awards exclude the effect of dividends on the underlying shares, as those dividends will be paid in cash if and when the underlying shares are issued to the participants.

## Note 13 Financial Derivatives

We use a variety of financial derivatives to both mitigate exposure to market (primarily interest rate) and credit risks inherent in our business activities, as well as to facilitate customer risk management activities. We manage these risks as part of our overall asset and liability management process and through our credit policies and procedures. Derivatives represent contracts between parties that usually require little or no initial net investment and result in one party delivering cash or another type of asset to the other party based on a notional amount and an underlying as specified in the contract.

Derivative transactions are often measured in terms of notional amount, but this amount is generally not exchanged and it is not recorded on the balance sheet. The notional amount is the basis to which the underlying is applied to determine required payments under the derivative contract. The underlying is a referenced interest rate (commonly LIBOR), security price, credit spread or other

index. Residential and commercial real estate loan commitments associated with loans to be sold also qualify as derivative instruments.

The following table presents the notional amounts and gross fair values of all derivative assets and liabilities held by us.

***Table 76: Total Gross Derivatives (a)***

| In millions | December 31, 2019 Notional / Contract Amount | December 31, 2019 Asset Fair Value (b) | December 31, 2019 Liability Fair Value (c) | December 31, 2018 Notional / Contract Amount | December 31, 2018 Asset Fair Value (b) | December 31, 2018 Liability Fair Value (c) |
|---|---|---|---|---|---|---|
| Derivatives used for hedging | | | | | | |
| Interest rate contracts (d): | | | | | | |
| Fair value hedges | $ 30,663 | | | $ 30,919 | $ 7 | |
| Cash flow hedges | 23,642 | $ 6 | | 17,337 | 1 | |
| Foreign exchange contracts: | | | | | | |
| Net investment hedges | 1,102 | | $ 6 | 1,012 | | $ 10 |
| **Total derivatives designated for hedging** | $ 55,407 | $ 6 | $ 6 | $ 49,268 | $ 8 | $ 10 |
| Derivatives not used for hedging | | | | | | |
| Derivatives used for mortgage banking activities (e): | | | | | | |
| Interest rate contracts: | | | | | | |
| Swaps | $ 52,007 | $ 1 | | $ 43,084 | | $ 3 |
| Futures (f) | 3,487 | | | 10,658 | | |
| Mortgage-backed commitments | 7,738 | 60 | $ 44 | 5,771 | $ 47 | 39 |
| Other | 3,134 | 32 | 23 | 6,509 | 10 | 3 |
| Total interest rate contracts | 66,366 | 93 | 67 | 66,022 | 57 | 45 |
| Derivatives used for customer-related activities: | | | | | | |
| Interest rate contracts: | | | | | | |
| Swaps | 249,075 | 2,769 | 1,187 | 218,496 | 1,352 | 1,432 |
| Futures (f) | 703 | | | 914 | | |
| Mortgage-backed commitments | 3,721 | 2 | 6 | 2,246 | 7 | 10 |
| Other | 21,379 | 113 | 33 | 20,109 | 77 | 33 |
| Total interest rate contracts | 274,878 | 2,884 | 1,226 | 241,765 | 1,436 | 1,475 |
| Commodity contracts: | | | | | | |
| Swaps | 5,204 | 234 | 229 | 4,813 | 244 | 238 |
| Other | 4,203 | 72 | 72 | 1,418 | 67 | 67 |
| Total commodity contracts | 9,407 | 306 | 301 | 6,231 | 311 | 305 |
| Foreign exchange contracts and other | 27,120 | 204 | 162 | 23,253 | 194 | 192 |
| Total foreign exchange contracts and other | 311,405 | 3,394 | 1,689 | 271,249 | 1,941 | 1,972 |
| Derivatives used for other risk management activities: | | | | | | |
| Foreign exchange contracts and other | 10,201 | 9 | 257 | 7,908 | 75 | 263 |
| **Total derivatives not designated for hedging** | $ 387,972 | $ 3,496 | $ 2,013 | $ 345,179 | $ 2,073 | $ 2,280 |
| **Total gross derivatives** | $ 443,379 | $ 3,502 | $ 2,019 | $ 394,447 | $ 2,081 | $ 2,290 |
| Less: Impact of legally enforceable master netting agreements | | 690 | 690 | | 688 | 688 |
| Less: Cash collateral received/paid | | 616 | 790 | | 341 | 539 |
| **Total derivatives** | | $ 2,196 | $ 539 | | $ 1,052 | $ 1,063 |

(a) Centrally cleared derivatives are settled in cash daily and result in no derivative asset or derivative liability being recognized on our Consolidated Balance Sheet.
(b) Included in Other assets on our Consolidated Balance Sheet.
(c) Included in Other liabilities on our Consolidated Balance Sheet.
(d) Represents primarily swaps.
(e) Includes both residential and commercial mortgage banking activities.
(f) Futures contracts settle in cash daily and, therefore, no derivative asset or derivative liability is recognized on our Consolidated Balance Sheet.

All derivatives are carried on our Consolidated Balance Sheet at fair value. Derivative balances are presented on the Consolidated Balance Sheet on a net basis taking into consideration the effects of legally enforceable master netting agreements and, when appropriate, any related cash collateral exchanged with counterparties. Further discussion regarding the offsetting rights associated with these legally enforceable master netting agreements is included in the Offsetting, Counterparty Credit Risk, and Contingent Features section below. Any nonperformance risk, including credit risk, is included in the determination of the estimated net fair value of the derivatives.

Further discussion on how derivatives are accounted for is included in Note 1 Accounting Policies.

**Derivatives Designated As Hedging Instruments**

Certain derivatives used to manage interest rate and foreign exchange risk as part of our asset and liability risk management activities are designated as accounting hedges. Derivatives hedging the risks associated with changes in the fair value of assets or liabilities are considered fair value hedges, derivatives hedging the variability of expected future cash flows are considered cash flow hedges, and derivatives hedging a net investment in a foreign subsidiary are considered net investment hedges. Designating derivatives as accounting hedges allows for gains and losses on those derivatives to be recognized in the same period and in the same income statement line item as the earnings impact of the hedged items.

**Fair Value Hedges**
We enter into receive-fixed, pay-variable interest rate swaps to hedge changes in the fair value of outstanding fixed-rate debt caused by fluctuations in market interest rates. We also enter into pay-fixed, receive-variable interest rate swaps and zero-coupon swaps to hedge changes in the fair value of fixed rate and zero-coupon investment securities caused by fluctuations in market interest rates. Gains and losses on the interest rate swaps designated in these hedge relationships, along with the offsetting gains and losses on the hedged items attributable to the hedged risk, are recognized in current earnings within the same income statement line item.

**Cash Flow Hedges**
We enter into receive-fixed, pay-variable interest rate swaps to modify the interest rate characteristics of designated commercial loans from variable to fixed in order to reduce the impact of changes in future cash flows due to market interest rate changes. We also periodically enter into forward purchase and sale contracts to hedge the variability of the consideration that will be paid or received related to the purchase or sale of investment securities. The forecasted purchase or sale is consummated upon gross settlement of the forward contract itself. For these cash flow hedges, gains and losses on the interest rate swaps and forward contracts are recorded in AOCI and are then reclassified into earnings in the same period the hedged cash flows affect earnings and within the same income statement line as the hedged cash flows.

In the 12 months that follow December 31, 2019, we expect to reclassify net derivative gains of $164 million pretax, or $129 million after-tax, from AOCI to interest income for both cash flow hedge strategies. This reclassified amount could differ from amounts actually recognized due to changes in interest rates, hedge de-designations, and the addition of other hedges subsequent to December 31, 2019. As of December 31, 2019, the maximum length of time over which forecasted transactions are hedged is ten years.

Further detail regarding gains (losses) related to our fair value and cash flow hedge derivatives is presented in the following table:

***Table 77: Gains (Losses) Recognized on Fair Value and Cash Flow Hedges in the Consolidated Income Statement (a) (b)***

| | Location and Amount of Gains (Losses) Recognized in Income | | | |
|---|---|---|---|---|
| | Interest Income | | Interest Expense | Noninterest Income |
| In millions | Loans | Investment Securities | Borrowed Funds | Other |
| **Year ended December 31, 2019** | | | | |
| Total amounts on the Consolidated Income Statement | $ 10,525 | $ 2,426 | $ 1,811 | $ 1,473 |
| Gains (losses) on fair value hedges recognized on: | | | | |
| Hedged items (c) | | $ 187 | $ (808) | |
| Derivatives | | $ (178) | $ 659 | |
| Amounts related to interest settlements on derivatives | | $ 13 | $ 79 | |
| Gains (losses) on cash flow hedges (d): | | | | |
| Amount of derivative gains (losses) reclassified from AOCI | $ 9 | $ 9 | | $ 19 |
| **Year ended December 31, 2018** | | | | |
| Total amounts on the Consolidated Income Statement | $ 9,580 | $ 2,261 | $ 1,632 | $ 1,205 |
| Gains (losses) on fair value hedges recognized on: | | | | |
| Hedged items (c) | | $ (53) | $ 151 | |
| Derivatives | | $ 60 | $ (262) | |
| Amounts related to interest settlements on derivatives | | $ 3 | $ 80 | |
| Gains (losses) on cash flow hedges (d): | | | | |
| Amount of derivative gains (losses) reclassified from AOCI | $ 41 | $ 11 | | $ 8 |
| **Year ended December 31, 2017** | | | | |
| Total amounts on the Consolidated Income Statement | $ 8,238 | $ 1,998 | $ 1,083 | $ 1,077 |
| Gains (losses) on fair value hedges recognized on (e): | | | | |
| Hedged items (c) | | $ (50) | $ 268 | |
| Derivatives | | $ 48 | $ (284) | |
| Amounts related to interest settlements on derivatives | | $ (41) | $ 234 | |
| Gains (losses) on cash flow hedges (d): | | | | |
| Amount of derivative gains (losses) reclassified from AOCI | $ 159 | $ 21 | | $ 17 |

(a) For all periods presented, there were no components of derivative gains or losses excluded from the assessment of hedge effectiveness for any of the fair value or cash flow hedge strategies.
(b) All cash flow and fair value hedge derivatives were interest rate contracts for the periods presented.
(c) Includes an insignificant amount of fair value hedge adjustments related to discontinued hedge relationships.
(d) For all periods presented, there were no gains or losses from cash flow hedge derivatives reclassified to income because it became probable that the original forecasted transaction would not occur.
(e) The difference between the gains (losses) recognized in income on derivatives and their related hedged items represents the ineffective portion of the change in value of our fair value hedged derivatives.

Further detail regarding gains (losses) on derivatives and related cash flows is presented in the following table:

***Table 78: Hedged Items - Fair Value Hedges***

| | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| In millions | Carrying Value of the Hedged Items | Cumulative Fair Value Hedge Adjustment included in the Carrying Value of Hedged Items (a) | Carrying Value of the Hedged Items | Cumulative Fair Value Hedge Adjustment included in the Carrying Value of Hedged Items (a) |
| Investment securities - Available for Sale (b) | $ 5,666 | $ 59 | $ 6,216 | $ (103) |
| Borrowed funds | $ 28,616 | $ 548 | $ 27,121 | $ (260) |

(a) Includes $(.3) billion and $(.5) billion of fair value hedge adjustments primarily related to discontinued borrowed funds hedge relationships at December 31, 2019 and 2018, respectively.
(b) Carrying value shown represents amortized cost.

**Net Investment Hedges**

We enter into foreign currency forward contracts to hedge non-U.S. dollar net investments in foreign subsidiaries against adverse changes in foreign exchange rates. We assess whether the hedging relationship is highly effective in achieving offsetting changes in the value of the hedge and hedged item by qualitatively verifying that the critical terms of the hedge and hedged item match at the inception of the hedging relationship and on an ongoing basis. Net investment hedge derivatives are classified as foreign exchange contracts. There were no components of derivative gains or losses excluded from the assessment of the hedge effectiveness for all periods presented. For 2018 and 2017, there was no net investment hedge ineffectiveness. Net gains (losses) on net investment hedge derivatives recognized in OCI were $(24) million in 2019, $76 million in 2018 and $(81) million in 2017.

**Derivatives Not Designated As Hedging Instruments**

Residential mortgage loans that will be sold in the secondary market, and the related loan commitments, which are considered derivatives, are accounted for at fair value. Changes in the fair value of the loans and commitments due to interest rate risk are hedged with forward contracts to sell mortgage-backed securities, as well as U.S. Treasury and Eurodollar futures and options. Gains and losses on the loans and commitments held for sale and the derivatives used to economically hedge them are included in Residential mortgage noninterest income on the Consolidated Income Statement.

Residential mortgage servicing rights are accounted for at fair value with changes in fair value influenced primarily by changes in interest rates. Derivatives used to hedge the fair value of residential mortgage servicing rights include interest rate futures, swaps, options, and forward contracts to purchase mortgage-backed securities. Gains and losses on residential mortgage servicing rights and the related derivatives used for hedging are included in Residential mortgage noninterest income.

Commercial mortgage loans held for sale and the related loan commitments, which are considered derivatives, are accounted for at fair value. Derivatives used to economically hedge these loans and commitments from changes in fair value due to interest rate risk and credit risk include forward loan sale contracts, interest rate swaps, and credit default swaps. Gains and losses on the commitments, loans and derivatives are included in Other noninterest income. Derivatives used to economically hedge the change in value of commercial mortgage servicing rights include interest rate futures, swaps and options. Gains or losses on these derivatives are included in Corporate services noninterest income.

The residential and commercial mortgage loan commitments associated with loans to be sold which are accounted for as derivatives are valued based on the estimated fair value of the underlying loan and the probability that the loan will fund within the terms of the commitment. The fair value also takes into account the fair value of the embedded servicing right.

We offer derivatives to our customers in connection with their risk management needs. These derivatives primarily consist of interest rate and commodity swaps, interest rate and commodity caps and floors, swaptions and foreign exchange contracts. We primarily manage our market risk exposure from customer transactions by entering into a variety of hedging transactions with third-party dealers. Gains and losses on customer-related derivatives are included in Other noninterest income.

Included in the customer, mortgage banking risk management, and other risk management portfolios are written interest-rate caps and floors entered into with customers and for risk management purposes. We receive an upfront premium from the counterparty and are obligated to make payments to the counterparty if the underlying market interest rate rises above or falls below a certain level designated in the contract. Our ultimate obligation under written options is based on future market conditions.

We have entered into risk participation agreements to share some of the credit exposure with other counterparties related to interest rate derivative contracts or to take on credit exposure to generate revenue. The notional amount of risk participation agreements sold was $8.0 billion at December 31, 2019 and $6.0 billion at December 31, 2018. Assuming all underlying third party customers referenced in the swap contracts defaulted, the exposure from these agreements would be $.3 billion at December 31, 2019 and $.2 billion at December 31, 2018 based on the fair value of the underlying swaps.

Further detail regarding the gains (losses) on derivatives not designated in hedging relationships is presented in the following table:

***Table 79: Gains (Losses) on Derivatives Not Designated for Hedging***

| | Year ended December 31 | | |
|---|---|---|---|
| In millions | 2019 | 2018 | 2017 |
| Derivatives used for mortgage banking activities: | | | |
| Interest rate contracts (a) | $ 405 | $ (56) | $ 75 |
| Derivatives used for customer-related activities: | | | |
| Interest rate contracts | 125 | 99 | 95 |
| Foreign exchange contracts and other (b) | 114 | 104 | 146 |
| Gains (losses) from customer-related activities (c) | 239 | 203 | 241 |
| Derivatives used for other risk management activities: | | | |
| Foreign exchange contracts and other (c) | (137) | 268 | (525) |
| Total gains (losses) from derivatives not designated as hedging instruments | $ 507 | $ 415 | $ (209) |

(a) Included in Residential mortgage, Corporate services and Other noninterest income on our Consolidated Income Statement.
(b) Includes an insignificant amount of gains (losses) on commodity contracts for all periods presented.
(c) Included in Other noninterest income on our Consolidated Income Statement.

**Offsetting, Counterparty Credit Risk, and Contingent Features**

We generally utilize a net presentation on the Consolidated Balance Sheet for those derivative financial instruments entered into with counterparties under legally enforceable master netting agreements. The master netting agreements reduce credit risk by permitting the closeout netting of all outstanding derivative instruments under the master netting agreement with the same counterparty upon the occurrence of an event of default. The master netting agreement also may require the exchange of cash or marketable securities to collateralize either party's net position. In certain cases, minimum thresholds must be exceeded before any collateral is exchanged. Collateral is typically exchanged daily on unsettled positions based on the net fair value of the positions with the counterparty as of the preceding day. Collateral representing initial margin, which is based on potential future exposure, is also required to be pledged by us in relation to derivative instruments with central clearing house counterparties. Any cash collateral exchanged with counterparties under these master netting agreements is also netted, when appropriate, against the applicable derivative fair values on the Consolidated Balance Sheet. However, the fair value of any securities held or pledged is not included in the net presentation on the balance sheet. In order for derivative instruments under a master netting agreement to be eligible for closeout netting under GAAP, we must conduct sufficient legal review to conclude with a well-founded basis that the offsetting rights included in the master netting agreement would be legally enforceable upon an event of default, including upon an event of bankruptcy, insolvency, or a similar proceeding of the counterparty. Enforceability is evidenced by a legal opinion that supports, with sufficient confidence, the enforceability of the master netting agreement in such circumstances.

Table 80 shows the impact legally enforceable master netting agreements had on our derivative assets and derivative liabilities as of December 31, 2019 and 2018. The table includes cash collateral held or pledged under legally enforceable master netting agreements. The table also includes the fair value of any securities collateral held or pledged under legally enforceable master netting agreements. Cash and securities collateral amounts are included in the table only to the extent of the related net derivative fair values.

Table 80 includes over-the-counter (OTC) derivatives and OTC derivatives cleared through a central clearing house. OTC derivatives represent contracts executed bilaterally with counterparties that are not settled through an organized exchange or directly cleared through a central clearing house. The majority of OTC derivatives are governed by the International Swaps and Derivatives Association (ISDA) documentation or other legally enforceable master netting agreements. OTC cleared derivatives represent contracts executed bilaterally with counterparties in the OTC market that are novated to a central clearing house who then becomes our counterparty. OTC cleared derivative instruments are typically settled in cash each day based on the prior day value.

***Table 80: Derivative Assets and Liabilities Offsetting***

| In millions | Gross Fair Value | Amounts Offset on the Consolidated Balance Sheet: Fair Value Offset Amount | Amounts Offset on the Consolidated Balance Sheet: Cash Collateral | Net Fair Value | | Securities Collateral Held / Pledged Under Master Netting Agreements | Net Amounts |
|---|---|---|---|---|---|---|---|
| **December 31, 2019** | | | | | | | |
| Derivative assets | | | | | | | |
| Interest rate contracts: | | | | | | | |
| Over-the-counter cleared | $ 14 | | | $ 14 | | | $ 14 |
| Over-the-counter | 2,969 | $ 365 | $ 593 | 2,011 | | $ 215 | 1,796 |
| Commodity contracts | 306 | 198 | 18 | 90 | | | 90 |
| Foreign exchange and other contracts | 213 | 127 | 5 | 81 | | | 81 |
| Total derivative assets | $ 3,502 | $ 690 | $ 616 | $ 2,196 | (a) | $ 215 | $ 1,981 |
| Derivative liabilities | | | | | | | |
| Interest rate contracts: | | | | | | | |
| Over-the-counter cleared | $ 14 | | | $ 14 | | | $ 14 |
| Over-the-counter | 1,279 | $ 475 | $ 692 | 112 | | | 112 |
| Commodity contracts | 301 | 152 | 17 | 132 | | | 132 |
| Foreign exchange and other contracts | 425 | 63 | 81 | 281 | | | 281 |
| Total derivative liabilities | $ 2,019 | $ 690 | $ 790 | $ 539 | (b) | | $ 539 |
| December 31, 2018 | | | | | | | |
| Derivative assets | | | | | | | |
| Interest rate contracts: | | | | | | | |
| Over-the-counter cleared | $ 29 | | | $ 29 | | | $ 29 |
| Over-the-counter | 1,472 | $ 450 | $ 117 | 905 | | $ 25 | 880 |
| Commodity contracts | 311 | 76 | 210 | 25 | | | 25 |
| Foreign exchange and other contracts | 269 | 162 | 14 | 93 | | | 93 |
| Total derivative assets | $ 2,081 | $ 688 | $ 341 | $ 1,052 | (a) | $ 25 | $ 1,027 |
| Derivative liabilities | | | | | | | |
| Interest rate contracts: | | | | | | | |
| Over-the-counter cleared | $ 24 | | | $ 24 | | | $ 24 |
| Over-the-counter | 1,496 | $ 557 | $ 489 | 450 | | $ 11 | 439 |
| Commodity contracts | 305 | 56 | 17 | 232 | | | 232 |
| Foreign exchange and other contracts | 465 | 75 | 33 | 357 | | | 357 |
| Total derivative liabilities | $ 2,290 | $ 688 | $ 539 | $ 1,063 | (b) | $ 11 | $ 1,052 |

(a) Represents the net amount of derivative assets included in Other assets on our Consolidated Balance Sheet.
(b) Represents the net amount of derivative liabilities included in Other liabilities on our Consolidated Balance Sheet.

In addition to using master netting agreements and other collateral agreements to reduce credit risk associated with derivative instruments, we also seek to manage credit risk by evaluating credit ratings of counterparties and by using internal credit analysis, limits, and monitoring procedures.

At December 31, 2019, we held cash, U.S. government securities and mortgage-backed securities totaling $1.1 billion under master netting agreements and other collateral agreements to collateralize net derivative assets due from counterparties, and we pledged cash totaling $1.4 billion under these agreements to collateralize net derivative liabilities owed to counterparties and to meet initial margin requirements. These totals may differ from the amounts presented in the preceding offsetting table because these totals may include collateral exchanged under an agreement that does not qualify as a master netting agreement or because the total amount of collateral held or pledged exceeds the net derivative fair values with the counterparty as of the balance sheet date due to timing or other factors, such as initial margin. To the extent not netted against the derivative fair values under a master netting agreement, the receivable for cash pledged is included in Other assets and the obligation for cash held is included in Other liabilities on our Consolidated Balance Sheet. Securities held from counterparties are not recognized on our balance sheet. Likewise, securities we have pledged to counterparties remain on our balance sheet.

Certain derivative agreements contain various credit-risk related contingent provisions, such as those that require our debt to maintain a specified credit rating from one or more of the major credit rating agencies. If our debt ratings were to fall below such specified ratings, the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full collateralization on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position on December 31, 2019 was $1.7 billion for which we had posted collateral of $.5 billion in the normal course of business. The maximum additional amount of collateral we would have been required

to post if the credit-risk related contingent features underlying these agreements had been triggered on December 31, 2019 would be $1.2 billion.

## NOTE 14 EARNINGS PER SHARE

***Table 81: Basic and Diluted Earnings Per Common Share***

| In millions, except per share data | 2019 | 2018 | 2017 |
|---|---|---|---|
| **Basic** | | | |
| Net income | $ 5,418 | $ 5,346 | $ 5,388 |
| Less: | | | |
| Net income attributable to noncontrolling interests | 49 | 45 | 50 |
| Preferred stock dividends | 236 | 236 | 236 |
| Preferred stock discount accretion and redemptions | 4 | 4 | 26 |
| Net income attributable to common shareholders | 5,129 | 5,061 | 5,076 |
| Less: Dividends and undistributed earnings allocated to participating securities | 21 | 21 | 23 |
| Net income attributable to basic common shareholders | $ 5,108 | $ 5,040 | $ 5,053 |
| Basic weighted-average common shares outstanding | 447 | 467 | 481 |
| Basic earnings per common share (a) | $ 11.43 | $ 10.79 | $ 10.49 |
| **Diluted** | | | |
| Net income attributable to basic common shareholders | $ 5,108 | $ 5,040 | $ 5,053 |
| Less: Impact of BlackRock earnings per share dilution | 10 | 9 | 16 |
| Net income attributable to diluted common shareholders | $ 5,098 | $ 5,031 | $ 5,037 |
| Basic weighted-average common shares outstanding | 447 | 467 | 481 |
| Dilutive potential common shares | 1 | 3 | 5 |
| Diluted weighted-average common shares outstanding | 448 | 470 | 486 |
| Diluted earnings per common share (a) | $ 11.39 | $ 10.71 | $ 10.36 |

(a) Basic and diluted earnings per share under the two-class method are determined on net income reported on the income statement less earnings allocated to nonvested restricted shares and restricted share units with nonforfeitable dividends and dividend rights (participating securities).

## NOTE 15 EQUITY

### Preferred Stock

The following table provides the number of preferred shares issued and outstanding, the liquidation value per share and the number of authorized preferred shares.

***Table 82: Preferred Stock – Authorized, Issued and Outstanding***

| | | Preferred Shares | |
|---|---|---|---|
| December 31<br>Shares in thousands | Liquidation value per share | 2019 | 2018 |
| Authorized | | | |
| $1 par value | | 20,000 | 20,000 |
| Issued and outstanding | | | |
| Series B | $ 40 | 1 | 1 |
| Series O | $ 100,000 | 10 | 10 |
| Series P | $ 100,000 | 15 | 15 |
| Series Q | $ 100,000 | 5 | 5 |
| Series R | $ 100,000 | 5 | 5 |
| Series S | $ 100,000 | 5 | 5 |
| Total issued and outstanding | | 41 | 41 |

The following table discloses information related to the preferred stock outstanding as of December 31, 2019.

***Table 83: Terms of Outstanding Preferred Stock***

| Preferred Stock | Issue Date | Number of Depositary Shares Issued and Outstanding | Fractional Interest in a share of preferred stock represented by each Depositary Share | Dividend Dates (a) | Annual Per Share Dividend Rate | Optional Redemption Date (b) |
|---|---|---|---|---|---|---|
| Series B (c) | (c) | N/A | N/A | Quarterly from March 10th | $ 1.80 | None |
| Series O (d) | July 27, 2011 | 1 million | 1/100th | Semi-annually beginning on February 1, 2012 until August 1, 2021<br>Quarterly beginning on November 1, 2021 | 6.75% until August 1, 2021<br>3 Mo. LIBOR plus 3.678% per annum beginning on August 1, 2021 | August 1, 2021 |
| Series P (d) | April 24, 2012 | 60 million | 1/4,000th | Quarterly beginning on August 1, 2012 | 6.125% until May 1, 2022<br>3 Mo. LIBOR plus 4.0675% per annum beginning on May 1, 2022 | May 1, 2022 |
| Series Q (d) | September 21, 2012<br>October 9, 2012 | 18 million<br>1.2 million | 1/4,000th | Quarterly beginning on December 1, 2012 | 5.375% | December 1, 2017 |
| Series R (d) | May 7, 2013 | 500,000 | 1/100th | Semi-annually beginning on December 1, 2013 until June 1, 2023<br>Quarterly beginning on September 1, 2023 | 4.85% until June 1, 2023<br>3 Mo. LIBOR plus 3.04% per annum beginning June 1, 2023 | June 1, 2023 |
| Series S (d) | November 1, 2016 | 525,000 | 1/100th | Semi-annually beginning on May 1, 2017 until November 1, 2026<br>Quarterly beginning on February 1, 2027 | 5.00% until November 1, 2026<br>3 Mo. LIBOR plus 3.30% per annum beginning November 1, 2026 | November 1, 2026 |

(a) Dividends are payable when, as, and if declared by our Board of Directors or an authorized committee of our Board of Directors.
(b) Redeemable at our option on or after the date stated. With the exception of the Series B preferred stock, redeemable at our option within 90 days of a regulatory capital treatment event as defined in the designations.
(c) Cumulative preferred stock. Holders of Series B preferred stock are entitled to 8 votes per share, which is equal to the number of full shares of common stock into which the Series B preferred stock is convertible. The Series B preferred stock was issued in connection with the consolidation of Pittsburgh National Corporation and Provident National Corporation in 1983.
(d) Non-Cumulative preferred stock.

Each outstanding series of preferred stock other than the Series B contains restrictions on our ability to pay dividends and make other shareholder payments. Subject to limited exceptions, if dividends are not paid on any such series of preferred stock, we cannot declare dividends on or repurchase shares of our common stock. In addition, if we would like to repurchase shares of preferred stock, such repurchases must be on a pro rata basis with respect to all such series of preferred stock.

The following table provides the dividends per share for PNC's common and preferred stock.

***Table 84: Dividends Per Share***

| December 31 | 2019 | 2018 | 2017 |
|---|---|---|---|
| **Common Stock** | $ 4.20 | $ 3.40 | $ 2.60 |
| **Preferred Stock** | | | |
| Series B | $ 1.80 | $ 1.80 | $ 1.80 |
| Series O | $ 6,750 | $ 6,750 | $ 6,750 |
| Series P | $ 6,125 | $ 6,125 | $ 6,125 |
| Series Q | $ 5,375 | $ 5,375 | $ 5,375 |
| Series R | $ 4,850 | $ 4,850 | $ 4,850 |
| Series S | $ 5,000 | $ 5,000 | $ 5,000 |

On January 2, 2020, we declared a quarterly common stock cash dividend of $1.15 per share payable on February 5, 2020.

## Other Shareholders' Equity Matters

At December 31, 2019, we had reserved approximately 83 million common shares to be issued in connection with certain stock plans.

On April 4, 2019, our Board of Directors approved the establishment of a new stock repurchase program authorization in the amount of 100 million shares of PNC common stock, which may be purchased on the open market or in privately negotiated transactions, effective July 1, 2019. The previous 2015 authorization was terminated as of end of day on June 30, 2019. Under these program authorizations, we repurchased 25.9 million shares in 2019 and 19.9 million shares in 2018. A maximum amount of 86.1 million shares remained available for repurchase under the new stock program authorization at December 31, 2019. This program authorization will remain in effect until fully utilized or until modified, superseded or terminated.

## NOTE 16 OTHER COMPREHENSIVE INCOME

Details of other comprehensive income (loss) are as follows:

***Table 85: Other Comprehensive Income (Loss)***

| In millions | 2019 | 2018 | 2017 |
|---|---|---|---|
| **Net unrealized gains (losses) on non-OTTI securities** | | | |
| Increase in net unrealized gains (losses) on non-OTTI securities | $ 1,505 | $ (522) | $ 29 |
| Less: Net gains (losses) realized as a yield adjustment reclassified to investment securities interest income | 11 | 12 | 25 |
| Less: Net gains (losses) realized on sales of securities reclassified to noninterest income | 29 | (8) | (12) |
| **Net increase (decrease), pre-tax** | 1,465 | (526) | 16 |
| Effect of income taxes | (337) | 121 | (6) |
| **Net increase (decrease), after-tax** | 1,128 | (405) | 10 |
| **Net unrealized gains (losses) on OTTI securities** | | | |
| Increase in net unrealized gains (losses) on OTTI securities | 24 | (14) | 173 |
| Less: Net gains (losses) realized on sales of securities reclassified to noninterest income | | | 2 |
| Less: OTTI losses realized on securities reclassified to noninterest income | | | (1) |
| **Net increase (decrease), pre-tax** | 24 | (14) | 172 |
| Effect of income taxes | (5) | 3 | (63) |
| **Net increase (decrease), after-tax** | 19 | (11) | 109 |
| **Net unrealized gains (losses) on cash flow hedge derivatives** | | | |
| Increase in net unrealized gains (losses) on cash flow hedge derivatives | 334 | (118) | (90) |
| Less: Net gains (losses) realized as a yield adjustment reclassified to loan interest income | 9 | 41 | 159 |
| Less: Net gains (losses) realized as a yield adjustment reclassified to investment securities interest income | 9 | 11 | 21 |
| Less: Net gains (losses) realized on sales of securities reclassified to noninterest income | 19 | 8 | 17 |
| **Net increase (decrease), pre-tax** | 297 | (178) | (287) |
| Effect of income taxes | (68) | 41 | 105 |
| **Net increase (decrease), after-tax** | 229 | (137) | (182) |
| **Pension and other postretirement benefit plan adjustments** | | | |
| Net pension and other postretirement benefit activity | 146 | 10 | 126 |
| Amortization of actuarial loss (gain) reclassified to other noninterest expense | 8 | 5 | 47 |
| Amortization of prior service cost (credit) reclassified to other noninterest expense | 4 | 1 | (4) |
| **Net increase (decrease), pre-tax** | 158 | 16 | 169 |
| Effect of income taxes | (36) | (4) | (62) |
| **Net increase (decrease), after-tax** | 122 | 12 | 107 |
| **Other** | | | |
| PNC's portion of BlackRock's OCI | 5 | (55) | 52 |
| Net investment hedge derivatives | (24) | 76 | (81) |
| Foreign currency translation adjustments | 41 | (58) | 90 |
| **Net increase (decrease), pre-tax** | 22 | (37) | 61 |
| Effect of income taxes | 4 | (5) | 12 |
| **Net increase (decrease), after-tax** | 26 | (42) | 73 |
| **Total other comprehensive income (loss), pre-tax** | 1,966 | (739) | 131 |
| Total other comprehensive income, tax effect | (442) | 156 | (14) |
| **Total other comprehensive income (loss), after-tax** | $ 1,524 | $ (583) | $ 117 |

***Table 86: Accumulated Other Comprehensive Income (Loss) Components***

| In millions, after-tax | Net unrealized gains (losses) on non-OTTI securities | Net unrealized gains (losses) on OTTI securities | Net unrealized gains (losses) on cash flow hedge derivatives | Pension and other postretirement benefit plan adjustments | Other | Total |
|---|---|---|---|---|---|---|
| Balance at December 31, 2016 | $ 52 | $ 106 | $ 333 | $ (553) | $ (203) | $ (265) |
| Net activity | 10 | 109 | (182) | 107 | 73 | 117 |
| Balance at December 31, 2017 | $ 62 | $ 215 | $ 151 | $ (446) | $ (130) | $ (148) |
| Cumulative effect of adopting ASU 2018-02 (a) | 59 | | 33 | (96) | 10 | 6 |
| Balance at January 1, 2018 | 121 | 215 | 184 | (542) | (120) | (142) |
| Net activity | (405) | (11) | (137) | 12 | (42) | (583) |
| Balance at December 31, 2018 | $ (284) | $ 204 | $ 47 | $ (530) | $ (162) | $ (725) |
| Net activity | 1,128 | 19 | 229 | 122 | 26 | 1,524 |
| Balance at December 31, 2019 | $ 844 | $ 223 | $ 276 | $ (408) | $ (136) | $ 799 |

(a) Represents the cumulative impact of adopting ASU 2018-02 which permits the reclassification to retained earnings of the income tax effects stranded within AOCI. See the Recently Adopted Accounting Standards portion of Note 1 Accounting Policies in our 2018 Form 10-K for additional detail on this adoption.

## NOTE 17 INCOME TAXES

The components of income tax expense are as follows:

***Table 87: Components of Income Tax Expense***

| Year ended December 31<br>In millions | 2019 | 2018 | 2017 |
|---|---|---|---|
| Current | | | |
| Federal | $ 608 | $ 773 | $ 454 |
| State | 151 | 176 | 51 |
| Total current | 759 | 949 | 505 |
| Deferred | | | |
| Federal | 299 | 123 | (474) |
| State | 4 | 10 | 71 |
| Total deferred | 303 | 133 | (403) |
| Total | $ 1,062 | $ 1,082 | $ 102 |

Significant components of deferred tax assets and liabilities are as follows:

***Table 88: Deferred Tax Assets and Liabilities***

| December 31 – in millions | 2019 | 2018 |
|---|---|---|
| Deferred tax assets | | |
| Allowance for loan and lease losses | $ 661 | $ 637 |
| Compensation and benefits | 270 | 279 |
| Partnership investments | 120 | 184 |
| Loss and credit carryforward | 203 | 366 |
| Accrued expenses | 195 | 207 |
| Lease obligations | 545 | |
| Other | 161 | 193 |
| Total gross deferred tax assets | 2,155 | 1,866 |
| Valuation allowance | (31) | (37) |
| Total deferred tax assets | 2,124 | 1,829 |
| Deferred tax liabilities | | |
| Leasing | 1,703 | 1,169 |
| Goodwill and intangibles | 194 | 196 |
| Fixed assets | 412 | 379 |
| Mortgage servicing rights | 99 | 179 |
| Net unrealized gains on securities and financial instruments | 401 | |
| BlackRock basis difference | 1,845 | 1,726 |
| Other | 176 | 119 |
| Total deferred tax liabilities | 4,830 | 3,768 |
| Net deferred tax liability | $ 2,706 | $ 1,939 |

A reconciliation between the statutory and effective tax rates follows:

***Table 89: Reconciliation of Statutory and Effective Tax Rates***

| Year ended December 31 | 2019 | 2018 | 2017 |
|---|---|---|---|
| Statutory tax rate | 21.0% | 21.0% | 35.0% |
| Increases (decreases) resulting from: | | | |
| State taxes net of federal benefit | 2.1 | 2.3 | 1.5 |
| Tax-exempt interest | (1.2) | (1.4) | (2.5) |
| Life insurance | (.9) | (.9) | (1.8) |
| Dividend received deduction | (1.0) | (.9) | (1.8) |
| Tax credits | (3.5) | (3.4) | (4.2) |
| Federal deferred tax revaluation | | (1.7) | (21.7) |
| Unrecognized tax benefits | | 1.1 | (.1) |
| Other | (.1) | .7 | (2.5) |
| Effective tax rate | 16.4% | 16.8% | 1.9% |

The net operating loss carryforwards at December 31, 2019 and 2018 follow:

***Table 90: Net Operating Loss Carryforwards***

| Dollars in millions | December 31, 2019 | December 31, 2018 | Expiration |
|---|---|---|---|
| Net Operating Loss Carryforwards: | | | |
| Federal | $ 402 | $ 521 | 2032 |
| State | $ 1,197 | $ 1,577 | 2020-2039 |

The majority of the tax credit carryforwards expire in 2038 and were $149 million at December 31, 2019 and $323 million at December 31, 2018. Some federal and state net operating loss and credit carryforwards are from acquired entities and utilization is subject to various statutory limitations. We anticipate that we will be able to fully utilize our carryforwards for federal tax purposes, but we have recorded an insignificant valuation allowance against certain state tax carryforwards as of December 31, 2019.

Retained earnings included $.1 billion at both December 31, 2019 and 2018 in allocations for bad debt deductions of former thrift subsidiaries for which no income tax has been provided. Under current law, if certain subsidiaries use these bad debt reserves for purposes other than to absorb bad debt losses, they will be subject to Federal income tax at the current corporate tax rate.

A reconciliation of the beginning and ending balance of unrecognized tax benefits is as follows:

***Table 91: Change in Unrecognized Tax Benefits***

| In millions | 2019 | 2018 | 2017 |
|---|---|---|---|
| Balance of gross unrecognized tax benefits at January 1 | $ 207 | $ 18 | $ 22 |
| Increases: | | | |
| Positions taken during a prior period | | 212 | 4 |
| Decreases: | | | |
| Positions taken during a prior period | (77) | (16) | (3) |
| Settlements with taxing authorities | | (7) | (4) |
| Reductions resulting from lapse of statute of limitations | | | (1) |
| Balance of gross unrecognized tax benefits at December 31 | $ 130 | $ 207 | $ 18 |
| Favorable (unfavorable) impact if recognized | $ 76 | $ 76 | $ 17 |

It is reasonably possible that the balance of unrecognized tax benefits could decrease in the next twelve months due to ongoing or completion of examinations by various tax authorities or the expiration of statutes of limitations.

We are subject to U.S. federal income tax as well as income tax in most states and some foreign jurisdictions. Table 92 summarizes the status of significant IRS examinations.

***Table 92: IRS Tax Examination Status***

| | Years under examination | Status at December 31 |
|---|---|---|
| Federal | 2016 – 2017 | Under Exam |

In addition, we are under continuous examinations by various state taxing authorities. With few exceptions, we are no longer subject to state and local and foreign income tax examinations by taxing authorities for periods before 2013. For all open audits, any potential adjustments have been considered in establishing our unrecognized tax benefits as of December 31, 2019.

Our policy is to classify interest and penalties associated with income taxes as income tax expense. For 2019 and 2018, the amount of gross interest and penalties was insignificant. At December 31, 2019 and 2018, the related amounts of accrued interest and penalties were also insignificant.

## NOTE 18 REGULATORY MATTERS

We are subject to the regulations of certain federal, state and foreign agencies and undergo periodic examinations by such regulatory authorities.

The ability to undertake new business initiatives (including acquisitions), the access to and cost of funding for new business initiatives, the ability to pay dividends, the ability to repurchase shares or other capital instruments, the level of deposit insurance costs, and the level and nature of regulatory oversight depend, in large part, on a financial institution's capital strength.

At December 31, 2019 and 2018, PNC and PNC Bank, our domestic banking subsidiary, were both considered "well capitalized," based on applicable U.S. regulatory capital ratio requirements.

The following table sets forth the Basel III regulatory capital ratios at December 31, 2019 and 2018, respectively for PNC and PNC Bank.

***Table 93: Basel Regulatory Capital (a)***

| December 31<br>Dollars in millions | Amount | | Ratios | | |
|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | "Well Capitalized" Requirements |
| Risk-based capital | | | | | |
| Common equity Tier 1 | | | | | |
| PNC | $ 32,478 | $ 30,905 | 9.5% | 9.6% | N/A |
| PNC Bank | $ 32,215 | $ 30,046 | 9.9% | 9.8% | 6.5% |
| Tier 1 | | | | | |
| PNC | $ 36,306 | $ 34,735 | 10.7% | 10.8% | 6.0% |
| PNC Bank | $ 32,215 | $ 30,046 | 9.9% | 9.8% | 8.0% |
| Total | | | | | |
| PNC | $ 43,331 | $ 41,606 | 12.7% | 13.0% | 10.0% |
| PNC Bank | $ 39,074 | $ 36,510 | 12.1% | 11.9% | 10.0% |
| Leverage | | | | | |
| PNC | $ 36,306 | $ 34,735 | 9.1% | 9.4% | N/A |
| PNC Bank | $ 32,215 | $ 30,046 | 8.3% | 8.3% | 5.0% |

(a) Calculated using the regulatory capital methodology applicable to us during both 2019 and 2018.

The principal source of parent company cash flow is the dividends it receives from PNC Bank, which may be impacted by the following:

- Capital needs;
- Laws and regulations;
- Corporate policies;
- Contractual restrictions; and
- Other factors.

Also, there are statutory and regulatory limitations on the ability of national banks to pay dividends or make other capital distributions. The amount available for dividend payments to the parent company by PNC Bank without prior regulatory approval was approximately $3.1 billion at December 31, 2019.

Under federal law, a bank subsidiary generally may not extend credit to, or engage in other types of covered transactions (including the purchase of assets) with, the parent company or its non-bank subsidiaries on terms and under circumstances that are not substantially the same as comparable transactions with nonaffiliates. A bank subsidiary may not extend credit to, or engage in a covered transaction with, the parent company or a non-bank subsidiary if the aggregate amount of the bank's extensions of credit and other covered transactions with the parent company or non-bank subsidiary exceeds 10% of the capital stock and surplus of such bank subsidiary or the aggregate amount of the bank's extensions of credit and other covered transactions with the parent company and all non-bank subsidiaries exceeds 20% of the capital stock and surplus of such bank subsidiary. Such extensions of credit, with limited exceptions, must be at least fully collateralized in accordance with specified collateralization thresholds, with the thresholds varying based on the type of assets serving as collateral. In certain circumstances, federal regulatory authorities may impose more restrictive limitations.

Federal Reserve Board regulations require depository institutions to maintain cash reserves with a Federal Reserve Bank. At December 31, 2019, the balance outstanding at the Federal Reserve Bank was $23.2 billion.

## NOTE 19 LEGAL PROCEEDINGS

We establish accruals for legal proceedings, including litigation and regulatory and governmental investigations and inquiries, when information related to the loss contingencies represented by those matters indicates both that a loss is probable and that the amount of loss can be reasonably estimated. Any such accruals are adjusted thereafter as appropriate to reflect changed circumstances. When we are able to do so, we also determine estimates of possible losses or ranges of possible losses, whether in excess of any related accrued liability or where there is no accrued liability, for disclosed legal proceedings ("Disclosed Matters," which are those matters disclosed in this Note 19). For Disclosed Matters where we are able to estimate such possible losses or ranges of possible losses, as of December 31, 2019, we estimate that it is reasonably possible that we could incur losses in excess of related accrued liabilities, if any, in an aggregate amount less than $100 million. The estimates included in this amount are based on our analysis of currently available information and are subject to significant judgment and a variety of assumptions and uncertainties. As new information is obtained we may change our estimates. Due to the inherent subjectivity of the assessments and unpredictability of outcomes of legal proceedings, any amounts accrued or included in this aggregate amount may not represent the ultimate loss to us from the legal proceedings in

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question. Thus, our exposure and ultimate losses may be higher, and possibly significantly so, than the amounts accrued or this aggregate amount.

In our experience, legal proceedings are inherently unpredictable. One or more of the following factors frequently contribute to this inherent unpredictability: the proceeding is in its early stages; the damages sought are unspecified, unsupported or uncertain; it is unclear whether a case brought as a class action will be allowed to proceed on that basis or, if permitted to proceed as a class action, how the class will be defined; the other party is seeking relief other than or in addition to compensatory damages (including, in the case of regulatory and governmental investigations and inquiries, the possibility of fines and penalties); the matter presents meaningful legal uncertainties, including novel issues of law; we have not engaged in meaningful settlement discussions; discovery has not started or is not complete; there are significant facts in dispute; the possible outcomes may not be amenable to the use of statistical or quantitative analytical tools; predicting possible outcomes depends on making assumptions about future decisions of courts or regulatory bodies or the behavior of other parties; and there are a large number of parties named as defendants (including where it is uncertain how damages or liability, if any, will be shared among multiple defendants). Generally, the less progress that has been made in the proceedings or the broader the range of potential results, the harder it is for us to estimate losses or ranges of losses that it is reasonably possible we could incur.

As a result of these types of factors, we are unable, at this time, to estimate the losses that are reasonably possible to be incurred or ranges of such losses with respect to some of the matters disclosed, and the aggregate estimated amount provided above does not include an estimate for every Disclosed Matter. Therefore, as the estimated aggregate amount disclosed above does not include all of the Disclosed Matters, the amount disclosed above does not represent our maximum reasonably possible loss exposure for all of the Disclosed Matters. The estimated aggregate amount also does not reflect any of our exposure to matters not so disclosed, as discussed below under "Other."

We include in some of the descriptions of individual Disclosed Matters certain quantitative information related to the plaintiff's claim against us as alleged in the plaintiff's pleadings or other public filings or otherwise publicly available information. While information of this type may provide insight into the potential magnitude of a matter, it does not necessarily represent our estimate of reasonably possible loss or our judgment as to any currently appropriate accrual.

Some of our exposure in Disclosed Matters may be offset by applicable insurance coverage. We do not consider the possible availability of insurance coverage in determining the amounts of any accruals (although we record the amount of related insurance recoveries that are deemed probable up to the amount of the accrual) or in determining any estimates of possible losses or ranges of possible losses.

**Interchange Litigation**

Beginning in June 2005, a series of antitrust lawsuits were filed against Visa®, Mastercard®, and several major financial institutions, including cases naming National City (since merged into The PNC Financial Services Group, Inc.) and its subsidiary, National City Bank of Kentucky (since merged into National City Bank which in turn was merged into PNC Bank). The plaintiffs in these cases are merchants operating commercial businesses throughout the U.S., as well as trade associations. Some of these cases (including those naming National City entities) were brought as class actions on behalf of all persons or business entities that have accepted Visa or Mastercard. The cases have been consolidated for pre-trial proceedings in the U.S. District Court for the Eastern District of New York under the caption *In re Payment Card Interchange Fee and Merchant-Discount Antitrust Litigation* (Master File No. 1:05-md-1720-MKB-JO).

In July 2012, the parties entered into a memorandum of understanding with the class plaintiffs and an agreement in principle with certain individual plaintiffs with respect to a settlement of these cases, under which the defendants agreed to pay approximately $6.6 billion collectively to the class and individual settling plaintiffs and agreed to changes in the terms applicable to their respective card networks (including an eight-month reduction in default credit interchange rates). The parties entered into a definitive agreement with respect to this settlement in October 2012. The court granted final approval of the settlement in December 2013. Several objectors appealed the order of approval to the U.S. Court of Appeals for the Second Circuit, which issued an order in June 2016, reversing approval of the settlement and remanding for further proceedings. In November 2016, the plaintiffs filed a petition for a writ of certiorari with the U.S. Supreme Court to challenge the court of appeal's decision. The Supreme Court denied the petition in March 2017.

As a result of the reversal of the approval of the settlement, the class actions have resumed in the district court. In November 2016, the district court appointed separate interim class counsel for a proposed class seeking damages and a proposed class seeking equitable (injunctive) relief. In February 2017, each of these counsel filed a proposed amended and supplemental complaint on behalf of its respective proposed class. These complaints make similar allegations, including that the defendants conspired to monopolize and to fix the prices for general purpose card network services, that the restructuring of Visa and Mastercard, each of which included an initial public offering, violated the antitrust laws, and that the defendants otherwise imposed unreasonable restraints on trade, resulting in the

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payment of inflated interchange fees and other fees, which also violated the antitrust laws. In their complaints, collectively the plaintiffs seek, among other things, injunctive relief, unspecified damages (trebled under the antitrust laws) and attorneys' fees. PNC is named as a defendant in the complaint seeking damages but is not named as a defendant in the complaint that seeks equitable relief.

In September 2017, the magistrate judge at the district court granted in part and denied in part the plaintiffs' motions to file their proposed amended complaints. The dispute over amendment arose in part from the decision in *United States v. American Express, Co.,* 838 F.3d 179 (2d Cir. 2016), in which the court held that the relevant market in a similar complaint against American Express is "two-sided," *i.e*., requires consideration of effects on consumers as well as merchants. In June 2018, the U.S. Supreme Court affirmed (under the caption *Ohio v. American Express Co.*) the court of appeals decision. Previously, the plaintiffs in this litigation had alleged a one-sided market, and, as a result of the court's decision in *American Express*, they sought leave to add claims based on a two-sided market. The order allowed the complaint to be amended to include allegations pertaining to a two-sided market only to the extent those claims are not time-barred, but held that the two-sided market allegations do not relate back to the time of the original complaint and are not subject to tolling. In October 2017, the plaintiffs appealed this order to the presiding district court judge. In August 2018, the judge overruled this decision, finding that the two-sided market allegations do relate back.

In September 2018, the relevant parties entered an amended definitive agreement to resolve the claims of the class seeking damages. In this amended settlement agreement, the parties agreed, among other things, to the following terms:

- An additional settlement payment from all defendants of $900 million, with Visa's share of the additional settlement payment being $600 million. The additional settlement payment will be added to the approximately $5.3 billion previously paid by the defendants pursuant to the original 2012 settlement agreement.

- Up to $700 million may be returned to the defendants (with up to $467 million to Visa) if more than 15% of class members (by payment volume) opt out of the class. As more than 15% of class members opted out of the class, $700 million has been returned to the defendants ($467 million to Visa).

This amended settlement agreement is subject to court approval. Following preliminary approval in January 2019, and after class notice, the submission of opt-outs, and the filing of objections, the district court granted final approval of the settlement in December 2019. Several objectors have appealed the district court's order granting final approval to the U.S. Court of Appeals for the Second Circuit. Some merchants that opted out from the settlement have brought lawsuits against Visa and Mastercard and one or more of the other issuing banks. Resolution by Visa of claims by merchants that opted out of the settlement, including those that file lawsuits, have been or will be paid from the Visa litigation escrow account.

National City and National City Bank entered into judgment and loss sharing agreements with Visa and certain other banks with respect to all of the above referenced litigation. We were not originally named as defendants in any of the Visa or Mastercard related antitrust litigation nor were we initially parties to the judgment or loss sharing agreements. However, we became responsible for National City's and National City Bank's position in the litigation and responsibilities under the agreements through our acquisition of National City. In addition, following Visa's reorganization in 2007 in contemplation of its initial public offering, U.S. Visa members received shares of Class B Visa common stock, convertible upon resolution of specified litigation, including the remaining litigation described above, into shares of Class A Visa common stock, with the conversion rate adjusted to reflect amounts paid or escrowed to resolve the specified litigation, and also remained responsible for indemnifying Visa against the specified litigation. Our Class B Visa common stock is all subject to this conversion adjustment provision, and we are now responsible for the indemnification obligations of our predecessors as well as ourselves. We have also entered into a Mastercard Settlement and Judgment Sharing Agreement with Mastercard and other financial institution defendants and an Omnibus Agreement Regarding Interchange Litigation Sharing and Settlement Sharing with Visa, Mastercard and other financial institution defendants. The Omnibus Agreement, in substance, apportions resolution of the claims in this litigation into a Visa portion and a Mastercard portion, with the Visa portion being two-thirds and the Mastercard portion being one-third. This apportionment only applies in the case of either a global settlement involving all defendants or an adverse judgment against the defendants, to the extent that damages either are related to the merchants' inter-network conspiracy claims or are otherwise not attributed to specific Mastercard or Visa conduct or damages. The Mastercard portion (or any Mastercard-related liability not subject to the Omnibus Agreement) will then be apportioned under the Mastercard Settlement and Judgment Sharing Agreement among Mastercard and PNC and the other financial institution defendants that are parties to this agreement. The responsibility for the Visa portion (or any Visa-related liability not subject to the Omnibus Agreement) will be apportioned under the pre-existing indemnification responsibilities and judgment and loss sharing agreements.

**Residential Mortgage-Backed Securities Indemnification Demands**

We have received indemnification demands from several entities sponsoring residential mortgage-backed securities and their affiliates where purchasers of the securities, trustees for the securitization trusts, or monoline insurers have asserted claims against the sponsors and other parties involved in the securitization transactions. National City Mortgage and its predecessors had sold whole loans to the sponsors or their affiliates that were allegedly included in certain of these securitization transactions. According to the indemnification

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demands, the claims for which indemnity is being sought are based on alleged misstatements and omissions in the offering documents for these transactions or breaches of representations and warranties relating to the loans made in connection with the transactions. The indemnification demands assert that agreements governing the sale of these loans or the securitization transactions to which National City Mortgage was a party require us to indemnify the sponsors and their affiliates for losses suffered in connection with these claims. The parties have settled several of these disputes. Several of the entities asserting a right to indemnification submitted a demand for our purported share of the settlement amount of claims asserted against it and its affiliates. There has not been any determination that the parties seeking indemnification have any liability to the plaintiffs in connection with the other claims and the amount, if any, for which we are responsible in the settled cases has not been determined.

**Pre-need Funeral Arrangements**

National City Bank and PNC Bank are defendants in a lawsuit filed in the U.S. District Court for the Eastern District of Missouri under the caption *Jo Ann Howard and Associates, P.C., et al. v. Cassity, et al.* (No. 4:09-CV-1252-ERW) arising out of trustee services provided by Allegiant Bank, a National City Bank and PNC Bank predecessor, with respect to Missouri trusts that held pre-need funeral contract assets. Under a pre-need funeral contract, a customer pays an amount up front in exchange for payment of funeral expenses following the customer's death. In a number of states, including Missouri, pre-need funeral contract sellers are required to deposit a portion of the proceeds of the sale of pre-need funeral contracts in a trust account.

The lawsuit was filed in August 2009 by the Special Deputy Receiver for three insolvent affiliated companies, National Prearranged Services, Inc. a seller of pre-need funeral contracts (NPS), Lincoln Memorial Life Insurance Company (Lincoln), and Memorial Service Life Insurance Company (Memorial). Seven individual state life and health insurance guaranty associations, who claim they are liable under state law for payment of certain benefits under life insurance policies sold by Lincoln and Memorial, and the National Organization of Life & Health Guaranty Associations have also joined the action as plaintiffs. In addition to National City Bank and PNC Bank (added following filing of the lawsuit as successor-in-interest to National City Bank) (the PNC defendants), other defendants included members of the Cassity family, who controlled NPS, Lincoln, and Memorial; officers and directors of NPS, Lincoln, and Memorial; auditors and attorneys for NPS, Lincoln, and Memorial; the trustees of each of the trusts that held pre-need funeral contract assets; and the investment advisor to the Pre-need Trusts. NPS retained several banks to act as trustees for the trusts holding NPS pre-need funeral contract assets (the NPS Trusts), with Allegiant Bank acting as one of these trustees with respect to seven Missouri NPS Trusts. All of the other defendants have settled with the plaintiffs, are otherwise no longer a party to the lawsuit, or are insolvent.

In their Third Amended Complaint, filed in 2012 following the granting by the court in part of motions to dismiss made by the PNC defendants and the other NPS Trust trustees, the plaintiffs allege that Allegiant Bank breached its fiduciary duties and acted negligently as the trustee for the Missouri NPS Trusts. In part as a result of these breaches, the plaintiffs allege, members of the Cassity family, acting in concert with other defendants, were able to improperly remove millions of dollars from the NPS Trusts, which in turn caused NPS, Lincoln, and Memorial to become insolvent. The complaint alleges $600 million in present and future losses to the plaintiffs due to the insolvency of NPS, Lincoln, and Memorial. The lawsuit seeks, among other things, unspecified actual and punitive damages, various equitable remedies including restitution, attorneys' fees, costs of suit and interest.

In July 2013, five of the six defendants in a parallel federal criminal action, including two members of the Cassity family, entered into plea agreements with the U.S. to resolve criminal charges arising out of their conduct at NPS, Lincoln and Memorial. In August 2013, after a jury trial, the sixth defendant, the investment advisor to the NPS Trusts, was convicted on all criminal counts against him. The criminal charges against the defendants alleged, among other thing, a scheme to defraud Allegiant Bank and the other trustees of the NPS Trusts.

In May 2014, the court granted the plaintiffs' motion to disallow the PNC defendants' affirmative defense relating to the plaintiffs' alleged failure to mitigate damages. In July 2014, the PNC defendants' motion for reconsideration was denied. In September 2014, the plaintiffs filed a motion seeking leave to amend their complaint to reassert aiding and abetting claims, previously dismissed by the court in 2012. The court denied this motion in December 2014. Also in December 2014, the court granted in part and denied in part the PNC defendants' motion for summary judgment.

In March 2015, following a jury trial, the court entered a judgment against the PNC defendants in the amount of $356 million in compensatory damages and $36 million in punitive damages. In April 2015, the plaintiffs filed motions with the court seeking $179 million in pre-judgment interest. Also, in April 2015, the PNC defendants filed motions with the court to reduce the compensatory damages by the amounts paid in settlement by other defendants, to strike the punitive damages award, for judgment as a matter of law, and for a new trial. In November 2015, the court granted the motion to reduce the compensatory damages by amounts paid in settlement by other defendants and denied the other motions by the PNC defendants, with the judgment being reduced as a result to a total of $289 million, and also denied the plaintiffs' motion for pre-judgment interest.

In December 2015, the PNC defendants appealed the judgment to the U.S. Court of Appeals for the Eighth Circuit**.** Also in December 2015, the plaintiffs cross-appealed from the court's orders reducing the judgment by amounts paid in settlement by other defendants, denying plaintiffs' motion for pre-judgment interest, and dismissing the plaintiffs' aiding and abetting claims. In August 2017, the court of appeals reversed the judgment to the extent that it was based on tort rather than trust law. The court accordingly held that any damages awarded to the plaintiff will be limited to losses to the trusts in Missouri caused by Allegiant's breaches during the time it acted as trustee; plaintiffs cannot recover for damages to the Missouri trusts after Allegiant's trusteeship or outside of the Missouri trusts, which had been included in the judgment under appeal. The court of appeals otherwise affirmed the judgment, including the dismissal of the aiding and abetting claims, and remanded the case to the district court for further proceedings in light of its decision. In September 2017, plaintiffs filed a motion for rehearing by the panel solely seeking to remove the prohibition on damages being sought for the period following Allegiant's trusteeship. In December 2017, the court denied the petition for rehearing. In July 2019, following a new trial on remand from the court of appeals, the district court awarded the plaintiffs $72 million in compensatory damages, $15 million in interest, and $15 million in punitive damages. The PNC defendants have appealed this judgment to the court of appeals, and plaintiffs have cross-appealed. In December 2019, the court reduced the judgment by approximately $2.6 million to correct a mathematical error in calculating pre-judgment interest, reducing the total judgment to $99.5 million. In February 2020, the district court awarded $7 million in fees and costs to the plaintiffs.

**Regulatory and Governmental Inquiries**

We are the subject of investigations, audits, examinations and other forms of regulatory and governmental inquiry covering a broad range of issues in our consumer, mortgage, brokerage, securities and other financial services businesses, as well as other aspects of our operations. In some cases, these inquiries are part of reviews of specified activities at multiple industry participants; in others, they are directed at PNC individually. From time to time, these inquiries involve or lead to regulatory enforcement actions and other administrative proceedings, and may lead to civil or criminal judicial proceedings. Some of these inquiries result in remedies including fines, penalties, restitution, or alterations in our business practices, and in additional expenses and collateral costs and other consequences. Such remedies and other consequences typically have not been material to us from a financial standpoint, but could be in the future. Even if not financially material, they may result in significant reputational harm or other adverse consequences.

As has been publicly reported, the U.S. Department of Justice is conducting an inquiry relating to the federal Low Income Housing Tax Credit (LIHTC) program directed at program participants. In connection with that inquiry, the Department of Justice has requested information from PNC Bank. We are cooperating with the inquiry.

Our practice is to cooperate fully with regulatory and governmental investigations, audits and other inquiries, including that described in this Note 19.

**Other**

In addition to the proceedings or other matters described above, PNC and persons to whom we may have indemnification obligations, in the normal course of business, are subject to various other pending and threatened legal proceedings in which claims for monetary damages and other relief are asserted. We do not anticipate, at the present time, that the ultimate aggregate liability, if any, arising out of such other legal proceedings will have a material adverse effect on our financial position. However, we cannot now determine whether or not any claims asserted against us or others to whom we may have indemnification obligations, whether in the proceedings or other matters described above or otherwise, will have a material adverse effect on our results of operations in any future reporting period, which will depend on, among other things, the amount of the loss resulting from the claim and the amount of income otherwise reported for the reporting period.

## NOTE 20 COMMITMENTS

In the normal course of business, we have various commitments outstanding, certain of which are not included on our Consolidated Balance Sheet. The following table presents our outstanding commitments to extend credit along with significant other commitments as of December 31, 2019 and 2018, respectively.

***Table 94: Commitments to Extend Credit and Other Commitments***

| In millions | December 31 2019 | December 31 2018 |
|---|---|---|
| Commitments to extend credit | | |
| Total commercial lending | $ 131,762 | $ 120,165 |
| Home equity lines of credit | 16,803 | 16,944 |
| Credit card | 30,862 | 27,100 |
| Other | 6,162 | 5,069 |
| Total commitments to extend credit | 185,589 | 169,278 |
| Net outstanding standby letters of credit (a) | 9,843 | 8,655 |
| Reinsurance agreements (b) | 1,393 | 1,549 |
| Standby bond purchase agreements (c) | 1,295 | 1,000 |
| Other commitments (d) | 1,498 | 1,130 |
| Total commitments to extend credit and other commitments | $ 199,618 | $ 181,612 |

(a) Net outstanding standby letters of credit include $4.1 billion and $3.7 billion at December 31, 2019 and 2018, respectively, which support remarketing programs.
(b) Represents aggregate maximum exposure up to the specified limits of the reinsurance contracts provided by our wholly-owned captive insurance subsidiary. These amounts reflect estimates based on availability of financial information from insurance carriers. As of December 31, 2019, the aggregate maximum exposure amount comprised $1.3 billion for accidental death & dismemberment contracts and $.1 billion for credit life, accident & health contracts. Comparable amounts at December 31, 2018 were $1.3 billion and $.2 billion, respectively.
(c) We enter into standby bond purchase agreements to support municipal bond obligations.
(d) Includes $.6 billion and $.5 billion related to investments in qualified affordable housing projects at December 31, 2019 and 2018, respectively.

### Commitments to Extend Credit

Commitments to extend credit, or net unfunded loan commitments, represent arrangements to lend funds or provide liquidity subject to specified contractual conditions. These commitments generally have fixed expiration dates, may require payment of a fee, and generally contain termination clauses in the event the customer's credit quality deteriorates.

### Net Outstanding Standby Letters of Credit

We issue standby letters of credit and share in the risk of standby letters of credit issued by other financial institutions, in each case to support obligations of our customers to third parties, such as insurance requirements and the facilitation of transactions involving capital markets product execution. Approximately 98% of our net outstanding standby letters of credit were rated as Pass at December 31, 2019, with the remainder rated as Criticized. An internal credit rating of Pass indicates the expected risk of loss is currently low, while a rating of Criticized indicates a higher degree of risk.

If the customer fails to meet its financial or performance obligation to the third party under the terms of the contract or there is a need to support a remarketing program, then upon a draw by a beneficiary, subject to the terms of the letter of credit, we would be obligated to make payment to them. The standby letters of credit outstanding on December 31, 2019 had terms ranging from less than one year to six years.

As of December 31, 2019, assets of $1.0 billion secured certain specifically identified standby letters of credit. In addition, a portion of the remaining standby letters of credit issued on behalf of specific customers is also secured by collateral or guarantees that secure the customers' other obligations to us. The carrying amount of the liability for our obligations related to standby letters of credit and participations in standby letters of credit was $.2 billion at December 31, 2019 and is included in Other liabilities on our Consolidated Balance Sheet.

## NOTE 21 PARENT COMPANY

Summarized financial information of the parent company is as follows:

***Table 95: Parent Company – Income Statement***

| Year ended December 31 – in millions | 2019 | 2018 | 2017 |
|---|---|---|---|
| **Operating Revenue** | | | |
| Dividends from: | | | |
| Bank subsidiaries and bank holding company | $ 4,030 | $ 3,057 | $ 3,278 |
| Non-bank subsidiaries | 170 | 157 | 376 |
| Interest income | 169 | 147 | 109 |
| Noninterest income | 48 | (1) | 37 |
| Total operating revenue | 4,417 | 3,360 | 3,800 |
| **Operating Expense** | | | |
| Interest expense | 325 | 281 | 215 |
| Other expense | 146 | 139 | 175 |
| Total operating expense | 471 | 420 | 390 |
| Income before income taxes and equity in undistributed net income of subsidiaries | 3,946 | 2,940 | 3,410 |
| Income tax benefits | (60) | (54) | (52) |
| Income before equity in undistributed net income of subsidiaries | 4,006 | 2,994 | 3,462 |
| Equity in undistributed net income of subsidiaries: | | | |
| Bank subsidiaries and bank holding company | 1,199 | 2,126 | 1,974 |
| Non-bank subsidiaries | 164 | 181 | (98) |
| Net income | $ 5,369 | $ 5,301 | $ 5,338 |
| Other comprehensive income, net of tax: | | | |
| Net pension and other postretirement benefit plan activity arising during the period | (2) | 1 | 1 |
| Other comprehensive income (loss) | (2) | 1 | 1 |
| Comprehensive income | $ 5,367 | $ 5,302 | $ 5,339 |

***Table 96: Parent Company – Balance Sheet***

| December 31 – in millions | 2019 | 2018 |
|---|---|---|
| **Assets** | | |
| Cash held at banking subsidiary | $ 6 | $ 6 |
| Restricted deposits with banking subsidiary | 175 | 175 |
| Nonrestricted interest-earning deposits | 7,024 | 4,655 |
| Investments in: | | |
| Bank subsidiaries and bank holding company | 48,654 | 45,863 |
| Non-bank subsidiaries | 2,054 | 1,886 |
| Loans with affiliates | 730 | 1,397 |
| Other assets | 1,512 | 1,159 |
| Total assets | $ 60,155 | $ 55,141 |
| **Liabilities** | | |
| Subordinated debt (a) | $ 986 | $ 1,652 |
| Senior debt (a) | 8,849 | 5,061 |
| Other borrowed funds from affiliates | 307 | 79 |
| Accrued expenses and other liabilities | 699 | 619 |
| Total liabilities | 10,841 | 7,411 |
| **Equity** | | |
| Shareholders' equity | 49,314 | 47,730 |
| Total liabilities and equity | $ 60,155 | $ 55,141 |

(a) See Note 10 Borrowed Funds for additional information on contractual rates and maturity dates of senior debt and subordinated debt for parent company.

In connection with certain affiliates' commercial and residential mortgage servicing operations, the parent company has committed to maintain such affiliates' net worth above minimum requirements.

*Table 97: Parent Company – Interest Paid and Income Tax Refunds (Payments)*

| Year ended December 31 – in millions | Interest Paid | Income Tax Refunds/ (Payments) |
|---|---|---|
| 2019 | $ 300 | $ 26 |
| 2018 | $ 288 | $ 88 |
| 2017 | $ 287 | $ 40 |

*Table 98: Parent Company – Statement of Cash Flows*

| Year ended December 31 – in millions | 2019 | 2018 | 2017 |
|---|---|---|---|
| **Operating Activities** | | | |
| Net income | $ 5,369 | $ 5,301 | $ 5,338 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Equity in undistributed net earnings of subsidiaries | (1,363) | (2,307) | (1,974) |
| Return on investment in subsidiary | | | 98 |
| Other | 218 | 155 | 194 |
| Net cash provided (used) by operating activities | $ 4,224 | $ 3,149 | $ 3,656 |
| **Investing Activities** | | | |
| Net change in loans and securities from affiliates | $ 664 | $ 540 | $ 114 |
| Net change in nonrestricted interest-earning deposits | (2,369) | 1,145 | (1,116) |
| Other | (8) | 2 | |
| Net cash provided (used) by investing activities | $ (1,713) | $ 1,687 | $ (1,002) |
| **Financing Activities** | | | |
| Net change in other borrowed funds from affiliates | $ 228 | $ (29) | $ 316 |
| Proceeds from long-term borrowings | 4,180 | 498 | 1,325 |
| Repayments of long-term borrowings | (1,300) | (553) | (580) |
| Net change in commercial paper | | (100) | 100 |
| Common and treasury stock issuances | 90 | 69 | 132 |
| Acquisition of treasury stock | (3,578) | (2,877) | (2,447) |
| Preferred stock cash dividends paid | (236) | (236) | (236) |
| Common stock cash dividends paid | (1,895) | (1,603) | (1,264) |
| Net cash provided (used) by financing activities | $ (2,511) | $ (4,831) | $ (2,654) |
| **Net increase (decrease) in cash and due from banks** | $ — | $ 5 | $ — |
| Cash and restricted deposits held at banking subsidiary at beginning of year | 181 | 176 | 176 |
| Cash and restricted deposits held at banking subsidiary at end of year | $ 181 | $ 181 | $ 176 |

## NOTE 22 SEGMENT REPORTING

We have four reportable business segments:

- Retail Banking
- Corporate & Institutional Banking
- Asset Management Group
- BlackRock

Results of individual businesses are presented based on our internal management reporting practices. There is no comprehensive, authoritative body of guidance for management accounting equivalent to GAAP; therefore, the financial results of our individual businesses are not necessarily comparable with similar information for any other company. We periodically refine our internal methodologies as management reporting practices are enhanced. To the extent significant and practicable, retrospective application of new methodologies is made to prior period reportable business segment results and disclosures to create comparability with the current period.

Total business segment financial results differ from total consolidated net income. These differences are reflected in the "Other" category in the business segment tables. "Other" includes residual activities that do not meet the criteria for disclosure as a separate reportable business, such as asset and liability management activities including net securities gains or losses, other-than-temporary impairment of investment securities, certain trading activities, certain runoff consumer loan portfolios, private equity investments, intercompany eliminations, certain corporate overhead, tax adjustments that are not allocated to business segments, gains or losses related to BlackRock transactions, exited businesses, and differences between business segment performance reporting and financial

statement reporting (GAAP), including the presentation of net income attributable to noncontrolling interests as the segments' results exclude their portion of net income attributable to noncontrolling interests. Assets, revenue and earnings attributable to foreign activities were not material in the periods presented for comparative purposes.

Financial results are presented, to the extent practicable, as if each business operated on a stand-alone basis. Additionally, we have aggregated the results for corporate support functions within "Other" for financial reporting purposes.

Net interest income in business segment results reflects our internal funds transfer pricing methodology. Assets receive a funding charge and liabilities and capital receive a funding credit based on a transfer pricing methodology that incorporates product repricing characteristics, tenor and other factors.

We have allocated the allowances for loan and lease losses and for unfunded loan commitments and letters of credit based on the loan exposures within each business segment's portfolio. Key reserve assumptions and estimation processes react to and are influenced by observed changes in loan portfolio performance experience, the financial strength of the borrower and economic conditions. Key reserve assumptions are periodically updated.

**Business Segment Products and Services**

**Retail Banking** provides deposit, lending, brokerage, insurance services, investment management and cash management products and services to consumer and small business customers. Our customers are serviced through our branch network, ATMs, call centers, online banking and mobile channels. The branch network is located primarily in markets across the Mid-Atlantic, Midwest and Southeast. In 2018, Retail Banking launched its national expansion strategy designed to grow customers with digitally-led banking and an ultra-thin branch network in markets outside of our existing retail branch network. Deposit products include checking, savings and money market accounts and certificates of deposit. Lending products include residential mortgages, home equity loans and lines of credit, auto loans, credit cards, education loans and personal and small business loans and lines of credit. The residential mortgage loans are directly originated within our branch network and nationwide, and are typically underwritten to agency and/or third-party standards, and either sold, servicing retained, or held on our balance sheet. Brokerage, investment management and cash management products and services include managed, education, retirement and trust accounts.

**Corporate & Institutional Banking** provides lending, treasury management, and capital markets-related products and services to mid-sized and large corporations, and government and not-for-profit entities. Lending products include secured and unsecured loans, letters of credit and equipment leases. The Treasury Management business provides payables, receivables, deposit and account services, liquidity and investments, and online and mobile banking products and services to our clients. Capital markets-related products and services include foreign exchange, derivatives, securities underwriting, loan syndications, mergers and acquisitions advisory and equity capital markets advisory related services. We also provide commercial loan servicing and technology solutions for the commercial real estate finance industry. Products and services are provided nationally.

**Asset Management Group** provides personal wealth management for high net worth and ultra high net worth clients and institutional asset management. The Asset Management group is composed of three distinct operating units:

- Wealth Management provides products and services to individuals and their families including investment and retirement planning, customized investment management, private banking, and trust management and administration for individuals and their families.
- Our Hawthorn unit provides multi-generational family planning including estate, financial, tax planning, fiduciary, investment management and consulting, private banking, personal administrative services, asset custody and customized performance reporting to ultra high net worth clients.
- Institutional asset management provides outsourced chief investment officer, custody, private real estate, cash and fixed income client solutions, and fiduciary retirement advisory services to institutional clients including corporations, healthcare systems, insurance companies, unions, municipalities and non-profits.

**BlackRock,** in which we hold an equity investment, is a leading publicly-traded investment management firm providing a broad range of investment and technology services to institutional and retail clients worldwide. Using a diverse platform of alpha-seeking active, index and cash management investment strategies across asset classes, BlackRock tailors investment outcomes and asset allocation solutions for clients. Product offerings include single- and multi-asset class portfolios investing in equities, fixed income, alternatives and money market instruments. BlackRock also offers technology services, including an investment and risk management technology platform, as well as advisory services and solutions to a broad base of institutional and wealth management clients.

Our equity investment in BlackRock provides us with an additional source of noninterest income and increases our overall revenue diversification. BlackRock is a publicly-traded company, and additional information regarding its business is available in its filings with the Securities and Exchange Commission (SEC). At December 31, 2019, our economic interest in BlackRock was 22%. We received cash dividends from BlackRock of $459 million, $420 million, and $354 million during 2019, 2018 and 2017, respectively.

***Table 99: Results of Businesses***

| Year ended December 31<br>In millions | Retail Banking | Corporate & Institutional Banking | Asset Management Group | BlackRock | Other | Consolidated (a) |
|---|---|---|---|---|---|---|
| **2019** | | | | | | |
| **Income Statement** | | | | | | |
| Net interest income | $ 5,520 | $ 3,637 | $ 288 | | $ 520 | $ 9,965 |
| Noninterest income | 2,648 | 2,537 | 991 | $ 999 | 687 | 7,862 |
| Total revenue | 8,168 | 6,174 | 1,279 | 999 | 1,207 | 17,827 |
| Provision for credit losses (benefit) | 517 | 284 | (1) | | (27) | 773 |
| Depreciation and amortization | 230 | 198 | 62 | | 545 | 1,035 |
| Other noninterest expense | 5,831 | 2,615 | 877 | | 216 | 9,539 |
| Income (loss) before income taxes (benefit) and noncontrolling interests | 1,590 | 3,077 | 341 | 999 | 473 | 6,480 |
| Income taxes (benefit) | 377 | 629 | 79 | 161 | (184) | 1,062 |
| Net income | $ 1,213 | $ 2,448 | $ 262 | $ 838 | $ 657 | $ 5,418 |
| Average Assets (b) | $ 92,959 | $ 164,243 | $ 7,360 | $ 8,558 | $ 127,215 | $ 400,335 |
| 2018 | | | | | | |
| **Income Statement** | | | | | | |
| Net interest income | $ 5,119 | $ 3,551 | $ 287 | | $ 764 | $ 9,721 |
| Noninterest income | 2,631 | 2,406 | 892 | $ 935 | 547 | 7,411 |
| Total revenue | 7,750 | 5,957 | 1,179 | 935 | 1,311 | 17,132 |
| Provision for credit losses (benefit) | 373 | 85 | 2 | | (52) | 408 |
| Depreciation and amortization | 206 | 186 | 52 | | 496 | 940 |
| Other noninterest expense | 5,772 | 2,520 | 861 | | 203 | 9,356 |
| Income (loss) before income taxes (benefit) and noncontrolling interests | 1,399 | 3,166 | 264 | 935 | 664 | 6,428 |
| Income taxes (benefit) | 335 | 658 | 62 | 154 | (127) | 1,082 |
| Net income | $ 1,064 | $ 2,508 | $ 202 | $ 781 | $ 791 | $ 5,346 |
| Average Assets (b) | $ 89,739 | $ 154,119 | $ 7,423 | $ 8,061 | $ 118,893 | $ 378,235 |
| 2017 | | | | | | |
| **Income Statement** | | | | | | |
| Net interest income | $ 4,625 | $ 3,396 | $ 287 | | $ 800 | $ 9,108 |
| Noninterest income | 2,236 | 2,271 | 881 | $ 1,078 | 755 | 7,221 |
| Total revenue | 6,861 | 5,667 | 1,168 | 1,078 | 1,555 | 16,329 |
| Provision for credit losses (benefit) | 347 | 160 | 1 | | (67) | 441 |
| Depreciation and amortization | 177 | 184 | 50 | | 510 | 921 |
| Other noninterest expense | 5,569 | 2,370 | 855 | | 683 | 9,477 |
| Income (loss) before income taxes (benefit) and noncontrolling interests | 768 | 2,953 | 262 | 1,078 | 429 | 5,490 |
| Income taxes (benefit) | 321 | 520 | 75 | (686) | (128) | 102 |
| Net income | $ 447 | $ 2,433 | $ 187 | $ 1,764 | $ 557 | $ 5,388 |
| Average Assets (b) | $ 88,663 | $ 148,414 | $ 7,511 | $ 7,677 | $ 119,504 | $ 371,769 |

(a) There were no material intersegment revenues for 2019, 2018 and 2017.
(b) Period-end balances for BlackRock.

## NOTE 23 FEE-BASED REVENUE FROM CONTRACTS WITH CUSTOMERS

A subset of our noninterest income relates to certain fee-based revenue within the scope of ASC Topic 606 - *Revenue from Contracts with Customers* (Topic 606). The objective of the standard is to clarify the principles for recognizing revenue from contracts with customers across all industries and to develop a common revenue standard under GAAP. The standard requires the application of a five-step recognition model to contracts, allocating the amount of consideration we expect to be entitled to across distinct promises in the contract, called performance obligations, and recognizing revenue when or as those services are transferred to the customer.

Fee-based revenue within the scope of Topic 606 is recognized within three of our reportable business segments, Retail Banking, Corporate & Institutional Banking and Asset Management Group. Income recognized from our investment in BlackRock, also a reportable segment, is outside of the scope of the standard. Topic 606 also excludes interest income, income from lease contracts, fair value gains from financial instruments (including derivatives), income from mortgage servicing rights and guarantee products, letter of credit fees, non-refundable fees associated with acquiring or originating a loan and gains from the sale of financial assets.

The following tables present noninterest income within the scope of Topic 606 disaggregated by segment. A description of the fee-based revenue and how it is recognized for each segment's principal services and products follows each table.

### Retail Banking

***Table 100: Retail Banking Noninterest Income Disaggregation***

| In millions | Year ended December 31 2019 | 2018 |
|---|---|---|
| **Product** | | |
| Deposit account fees | $ 642 | $ 618 |
| Debit card fees | 535 | 505 |
| Brokerage fees | 356 | 350 |
| Merchant services | 216 | 212 |
| Net credit card fees (a) | 186 | 189 |
| Other | 255 | 284 |
| Total in-scope noninterest income by product | $ 2,190 | $ 2,158 |
| **Reconciliation to total Retail Banking noninterest income** | | |
| Total in-scope noninterest income | $ 2,190 | $ 2,158 |
| Total out-of-scope noninterest income (b) | 458 | 473 |
| Total Retail Banking noninterest income | $ 2,648 | $ 2,631 |

(a) Net credit card fees consists of interchange fees of $498 million and $452 million and credit card reward costs of $312 million and $263 million for the years ended December 31, 2019 and 2018, respectively.
(b) Out-of-scope noninterest income includes revenue streams that fall under the scope of other accounting and disclosure requirements outside of Topic 606.

**Deposit Account Fees**
Retail Banking provides demand deposit, money market and savings account products for consumer and small business customers. Services include online and branch banking, overdraft and wire transfer services, imaging services and cash alternative services, such as money orders and cashier's checks. We recognize fee income at the time these services are performed for the customer.

**Debit Card and Net Credit Card Fees**
As an issuing bank, Retail Banking earns interchange fee revenue from debit and credit card transactions. By offering card products, we maintain and administer card-related services, such as credit card reward programs, account data and statement information, card activation, card renewals, and card suspension and blockage. Interchange fees are earned when cardholders make purchases and are presented in Table 100 net of credit card reward costs.

**Brokerage Fees**
Retail Banking earns fee revenue by providing its customers a wide range of investment options through its brokerage services including mutual funds, annuities, stocks, bonds, long-term care and insurance products, and managed accounts. We earn fee revenue for transaction-based brokerage services, such as the execution of market trades, once the transaction has been completed as of the trade date. In other cases, such as investment management services, we earn fee revenue over the term of the customer contract.

**Merchant Services**
Retail Banking earns fee revenue for debit and credit card processing services. We provide these services to merchant businesses including point-of-sale payment acceptance capabilities and customized payment processing built around the merchant's specific requirements. We earn fee revenue as the merchant's customers make purchases.

**Other**
Other noninterest income primarily includes ATM fees earned from our customers and non-PNC customers. These fees are recognized as transactions occur.

## Corporate & Institutional Banking

***Table 101: Corporate & Institutional Banking Noninterest Income Disaggregation***

| | Year ended December 31 | |
|---|---|---|
| In millions | 2019 | 2018 |
| **Product** | | |
| Treasury management fees | $ 840 | $ 776 |
| Capital markets fees | 547 | 510 |
| Commercial mortgage banking activities | 102 | 87 |
| Other | 77 | 81 |
| Total in-scope noninterest income by product | $ 1,566 | $ 1,454 |
| **Reconciliation to total Corporate & Institutional Banking noninterest income** | | |
| Total in-scope noninterest income | $ 1,566 | $ 1,454 |
| Total out-of-scope noninterest income (a) | 971 | 952 |
| Total Corporate & Institutional Banking noninterest income | $ 2,537 | $ 2,406 |

(a) Out-of-scope noninterest income includes revenue streams that fall under the scope of other accounting and disclosure requirements outside of Topic 606.

**Treasury Management Fees**
Corporate & Institutional Banking provides corporations with cash and investment management services, receivables and disbursement management services, funds transfer services and access to online/mobile information management and reporting services. Treasury management fees are recognized over time as we perform these services.

**Capital Markets Fees**
Capital markets fees include securities underwriting fees, merger and acquisition advisory fees and other advisory related fees. We recognize these fees when the related transaction closes.

**Commercial Mortgage Banking Activities**
Commercial mortgage banking activities include servicing responsibilities where we do not own the servicing rights. Servicing responsibilities typically consist of collecting and remitting monthly borrower principal and interest payments, maintaining escrow deposits, performing loss mitigation and foreclosure activities, and, in certain instances, funding of servicing advances. We recognize servicing fees over time as we perform these activities.

**Other**
Other noninterest income within Corporate & Institutional Banking primarily comprised fees from collateral management and asset management services. We earn these fees over time as we perform these services.

## Asset Management Group

***Table 102: Asset Management Group Noninterest Income Disaggregation***

| | Year ended December 31 | |
|---|---|---|
| In millions | 2019 | 2018 |
| **Customer Type** | | |
| Personal | $ 620 | $ 611 |
| Institutional | 242 | 272 |
| Total in-scope noninterest income by customer type | $ 862 | $ 883 |
| **Reconciliation to Asset Management Group noninterest income** | | |
| Total in-scope noninterest income | $ 862 | $ 883 |
| Total out-of-scope noninterest income (a) | 129 | 9 |
| Total Asset Management Group noninterest income | $ 991 | $ 892 |

(a) Out-of-scope noninterest income includes revenue streams that fall under the scope of other accounting and disclosure requirements outside of Topic 606.

**Asset Management Services**
Asset Management Group provides both personal wealth and institutional asset management services including investment management, custody services, retirement planning, family planning, trust management and retirement administration services. We recognize fee revenue over the term of the customer contract based on the value of assets under management at a point in time.

## NOTE 24 LEASES

PNC enters into both lessor and lessee arrangements. On January 1, 2019, we adopted ASU 2016-02 - Leases, which required lessees to recognize on the balance sheet all leases with lease terms greater than twelve months as a lease liability with a corresponding right-of-use asset. For more information on lease accounting and the impact of adoption, see Note 1 Accounting Policies and for additional details on our equipment lease financing receivables see Note 3 Asset Quality.

### Lessor Arrangements

PNC's lessor arrangements primarily consist of operating, sales-type and direct financing leases for equipment. Lease agreements may include options to renew and for the lessee to purchase the leased equipment at the end of the lease term. For 2019, lease income was $412 million, consisting of $295 million from sales-type and direct financing leases and $117 million from operating leases and was included in Loan interest income and Corporate services, respectively, on our Consolidated Income Statement.

The following table provides the components of our equipment lease financing assets:

***Table 103: Sales-Type and Direct Financing Leases***

| In millions | December 31, 2019 |
|---|---|
| Lease receivables (a) | $ 7,353 |
| Unguaranteed residual asset values | 741 |
| Unearned income | (939) |
| Equipment lease financing | $ 7,155 |

(a) In certain cases, PNC obtains third-party residual value insurance to reduce its residual risk. The carrying value of residual assets with third-party residual value insurance for at least a portion of the asset value was $.3 billion.

In addition, we had $1.1 billion in operating lease assets, which includes the residual asset values, at December 31, 2019, with accumulated depreciation of $.3 billion. Depreciation expense for the lease assets was not material for the year ended December 31, 2019. We had no lease transactions with related parties or deferred selling profits at December 31, 2019.

The future minimum lease payments based on maturity of our lessor arrangements at December 31, 2019 were as follows:

***Table 104: Future Minimum Lease Payments of Lessor Arrangements***

| In millions | Operating Leases | Sales-type and Direct Financing Leases |
|---|---|---|
| 2020 | $ 159 | $ 1,620 |
| 2021 | 159 | 1,432 |
| 2022 | 112 | 1,161 |
| 2023 | 136 | 801 |
| 2024 | 128 | 668 |
| 2025 and thereafter | 192 | 1,671 |
| Total future minimum lease payments | $ 886 | $ 7,353 |

### Lessee Arrangements

We lease retail branches, datacenters, office space, land and equipment under operating and finance leases. Our leases have remaining lease terms of one year to 61 years, some of which may include options to renew the leases for up to 99 years, and some of which may include options to terminate the leases prior to the end date. Certain leases also include options to purchase the leased asset. The exercise of lease renewal, termination and purchase options is at our sole discretion.

At adoption of ASU 2016-02 on January 1, 2019, we elected to account for the lease and nonlease components of existing real estate leases and leases of advertising assets, such as signage, as a single lease component. Effective January 1, 2019, lease and nonlease components of new lease agreements are accounted for separately. Lease components include fixed payments including rent, real estate taxes and insurance costs and nonlease components include common-area maintenance costs. Generally, we have elected to use the Overnight Indexed Swap rate corresponding to the term of the lease at the lease measurement date as our incremental borrowing rate to measure the right of-use-asset and lease liability. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term.

Certain of our lease agreements include rental payments based on a percentage of revenue and others include rental payments if certain bank deposit levels are met. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. Subleases to third parties were not material at December 31, 2019.

For 2019, total operating lease cost was $360 million and was included in Occupancy expense on our Consolidated Income Statement. Operating cash flows from operating leases for 2019 were $353 million. Operating lease assets and liabilities totaled $2.0 billion and $2.2 billion at December 31, 2019, respectively. Operating lease assets are reported in Other assets on the Consolidated Balance Sheet, and the related lease liabilities are reported in Accrued expenses and other liabilities. Finance lease assets and liabilities, income and cash flows at December 31, 2019 were not material.

Operating lease term and discount rates of our lessee arrangements at December 31, 2019 were as follows:

***Table 105: Operating Lease Term and Discount Rates of Lessee Arrangements***

| | December 31, 2019 |
|---|---|
| Weighted-average remaining lease term (years) | 9 |
| Weighted-average discount rate | 2.42% |

Future undiscounted cash flows on our lessee arrangements at December 31, 2019 are as follows:

***Table 106: Future Lease Payments of Operating Lease Liabilities***

| In millions | December 31, 2019 |
|---|---|
| 2020 | $ 355 |
| 2021 | 339 |
| 2022 | 307 |
| 2023 | 275 |
| 2024 | 226 |
| 2025 and thereafter | 923 |
| Total future lease payments | $ 2,425 |
| Less: Interest | 255 |
| Present value of operating lease liabilities | $ 2,170 |

At December 31, 2018, prior to the adoption of ASU 2016-02, operating lease commitments under lessee arrangements were $374 million, $346 million, $308 million, $258 million, $228 million for 2019 through 2023, respectively, and $941 million in the aggregate for all years thereafter.

## NOTE 25 SUBSEQUENT EVENTS

On January 22, 2020, the parent company issued $2.0 billion of senior notes with a maturity date of January 22, 2030. Interest is payable semi-annually at a fixed rate of 2.55% per annum, on January 22 and July 22 of each year, beginning on July 22, 2020.

On February 25, 2020, PNC Bank issued the following:

- $1.0 billion of senior floating rate notes with a maturity date of February 24, 2023. Interest is payable quarterly at the 3-month LIBOR rate, reset quarterly, plus 32.5 basis points, on February 24, May 24, August 24, and November 24, beginning on May 24, 2020.
- $500 million of senior fixed-to-floating rate notes with a maturity date of February 24, 2023. Interest is payable semi-annually at a fixed rate of 1.74% per annum, on February 24 and August 24 of each year, beginning on August 24, 2020. Beginning on February 24, 2022, interest is payable quarterly at the floating rate equal to the 3-month LIBOR rate, reset quarterly, plus 32.3 basis points, on February 24, May 24, August 24, and November 24, commencing on May 24, 2022.

# STATISTICAL INFORMATION (UNAUDITED)

## THE PNC FINANCIAL SERVICES GROUP, INC.

### SELECTED QUARTERLY FINANCIAL DATA

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| Dollars in millions, except per share data | Fourth | Third | Second | First | Fourth | Third | Second | First |
| **Summary of Operations** | | | | | | | | |
| Interest income | $ 3,334 | $ 3,503 | $ 3,497 | $ 3,428 | $ 3,359 | $ 3,223 | $ 3,082 | $ 2,918 |
| Interest expense | 846 | 999 | 999 | 953 | 878 | 757 | 669 | 557 |
| Net interest income | 2,488 | 2,504 | 2,498 | 2,475 | 2,481 | 2,466 | 2,413 | 2,361 |
| Noninterest income | 2,121 | 1,989 | 1,941 | 1,811 | 1,859 | 1,891 | 1,911 | 1,750 |
| Total revenue | 4,609 | 4,493 | 4,439 | 4,286 | 4,340 | 4,357 | 4,324 | 4,111 |
| Provision for credit losses | 221 | 183 | 180 | 189 | 148 | 88 | 80 | 92 |
| Noninterest expense | 2,762 | 2,623 | 2,611 | 2,578 | 2,577 | 2,608 | 2,584 | 2,527 |
| Income before income taxes (benefit) and noncontrolling interests | 1,626 | 1,687 | 1,648 | 1,519 | 1,615 | 1,661 | 1,660 | 1,492 |
| Income taxes (benefit) | 245 | 295 | 274 | 248 | 264 | 261 | 304 | 253 |
| Net income | 1,381 | 1,392 | 1,374 | 1,271 | 1,351 | 1,400 | 1,356 | 1,239 |
| Less: Net income attributable to noncontrolling interests | 14 | 13 | 12 | 10 | 14 | 11 | 10 | 10 |
| Preferred stock dividends and discount accretion and redemptions | 56 | 64 | 56 | 64 | 56 | 64 | 56 | 64 |
| Net income attributable to common shareholders | $ 1,311 | $ 1,315 | $ 1,306 | $ 1,197 | $ 1,281 | $ 1,325 | $ 1,290 | $ 1,165 |
| **Per Common Share** | | | | | | | | |
| Book value | $104.59 | $103.37 | $101.53 | $ 98.47 | $ 95.72 | $ 93.22 | $ 92.26 | $ 91.39 |
| Cash dividends declared (a) | $ 1.15 | $ 1.15 | $ .95 | $ .95 | $ .95 | $ .95 | $ .75 | $ .75 |
| Basic earnings from net income | $ 2.98 | $ 2.95 | $ 2.89 | $ 2.62 | $ 2.77 | $ 2.84 | $ 2.74 | $ 2.45 |
| Diluted earnings from net income | $ 2.97 | $ 2.94 | $ 2.88 | $ 2.61 | $ 2.75 | $ 2.82 | $ 2.72 | $ 2.43 |

(a) On January 2, 2020, we declared a quarterly common stock cash dividend of $1.15 per share payable on February 5, 2020.

## Average Consolidated Balance Sheet and Net Interest Analysis (a) (b) (c)

| Taxable-equivalent basis<br>Dollars in millions | 2019<br>Average Balances | 2019<br>Interest Income/ Expense | 2019<br>Average Yields/ Rates | 2018<br>Average Balances | 2018<br>Interest Income/ Expense | 2018<br>Average Yields/ Rates | 2017<br>Average Balances | 2017<br>Interest Income/ Expense | 2017<br>Average Yields/ Rates |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Interest-earning assets: | | | | | | | | | |
| Investment securities | | | | | | | | | |
| Securities available for sale | | | | | | | | | |
| Residential mortgage-backed | | | | | | | | | |
| Agency | $ 31,526 | $ 867 | 2.75% | $ 27,156 | $ 740 | 2.72% | $ 25,766 | $ 662 | 2.57% |
| Non-agency | 1,746 | 141 | 8.08% | 2,196 | 146 | 6.65% | 2,851 | 153 | 5.37% |
| Commercial mortgage-backed | 5,676 | 162 | 2.85% | 4,545 | 128 | 2.82% | 5,193 | 156 | 3.00% |
| Asset-backed | 5,199 | 172 | 3.31% | 5,242 | 165 | 3.15% | 5,681 | 147 | 2.59% |
| U.S. Treasury and government agencies | 17,642 | 435 | 2.47% | 16,319 | 373 | 2.29% | 13,178 | 235 | 1.78% |
| Other | 3,200 | 107 | 3.34% | 4,064 | 142 | 3.49% | 5,083 | 158 | 3.11% |
| Total securities available for sale | 64,989 | 1,884 | 2.90% | 59,522 | 1,694 | 2.85% | 57,752 | 1,511 | 2.62% |
| Securities held to maturity | | | | | | | | | |
| Residential mortgage-backed | 15,421 | 438 | 2.84% | 15,670 | 456 | 2.91% | 13,049 | 364 | 2.79% |
| Commercial mortgage-backed | 553 | 21 | 3.80% | 767 | 29 | 3.78% | 1,255 | 51 | 4.06% |
| Asset-backed | 120 | 5 | 4.17% | 192 | 7 | 3.65% | 405 | 10 | 2.47% |
| U.S. Treasury and government agencies | 767 | 22 | 2.87% | 749 | 21 | 2.80% | 591 | 18 | 3.05% |
| Other | 1,816 | 80 | 4.41% | 1,884 | 82 | 4.35% | 2,005 | 105 | 5.24% |
| Total securities held to maturity | 18,677 | 566 | 3.03% | 19,262 | 595 | 3.09% | 17,305 | 548 | 3.17% |
| Total investment securities | 83,666 | 2,450 | 2.93% | 78,784 | 2,289 | 2.91% | 75,057 | 2,059 | 2.74% |
| Loans | | | | | | | | | |
| Commercial | 123,524 | 5,157 | 4.17% | 113,837 | 4,606 | 4.05% | 107,752 | 3,778 | 3.51% |
| Commercial real estate | 28,526 | 1,235 | 4.33% | 28,756 | 1,193 | 4.15% | 29,487 | 1,054 | 3.57% |
| Equipment lease financing | 7,255 | 285 | 3.93% | 7,437 | 267 | 3.59% | 7,618 | 248 | 3.26% |
| Consumer | 55,671 | 3,083 | 5.54% | 55,438 | 2,817 | 5.08% | 56,262 | 2,585 | 4.59% |
| Residential real estate | 20,040 | 844 | 4.21% | 17,810 | 784 | 4.40% | 16,152 | 725 | 4.49% |
| Total loans | 235,016 | 10,604 | 4.51% | 223,278 | 9,667 | 4.33% | 217,271 | 8,390 | 3.86% |
| Interest-earning deposits with banks | 16,878 | 353 | 2.09% | 20,603 | 379 | 1.84% | 24,043 | 267 | 1.11% |
| Other interest-earning assets | 12,425 | 458 | 3.69% | 8,093 | 362 | 4.47% | 8,983 | 313 | 3.48% |
| Total interest-earning assets/interest income | 347,985 | 13,865 | 3.98% | 330,758 | 12,697 | 3.84% | 325,354 | 11,029 | 3.39% |
| Noninterest-earning assets | 52,350 | | | 47,477 | | | 46,415 | | |
| Total assets | $400,335 | | | $378,235 | | | $371,769 | | |
| **Liabilities and Equity** | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | |
| Interest-bearing deposits | | | | | | | | | |
| Money market | $ 55,505 | 609 | 1.10% | $ 56,353 | 416 | .74% | $ 62,331 | 217 | .35% |
| Demand | 65,729 | 354 | .54% | 60,599 | 190 | .31% | 57,045 | 76 | .13% |
| Savings | 62,938 | 696 | 1.11% | 51,908 | 428 | .82% | 42,749 | 197 | .46% |
| Time deposits | 20,416 | 327 | 1.60% | 17,501 | 195 | 1.11% | 17,322 | 133 | .77% |
| Total interest-bearing deposits | 204,588 | 1,986 | .97% | 186,361 | 1,229 | .66% | 179,447 | 623 | .35% |
| Borrowed funds | | | | | | | | | |
| Federal Home Loan Bank borrowings | 22,253 | 569 | 2.56% | 20,970 | 478 | 2.28% | 19,890 | 261 | 1.31% |
| Bank notes and senior debt | 26,781 | 869 | 3.24% | 27,855 | 818 | 2.94% | 25,564 | 517 | 2.02% |
| Subordinated debt | 5,588 | 214 | 3.83% | 5,292 | 224 | 4.23% | 6,273 | 222 | 3.54% |
| Other | 6,906 | 159 | 2.30% | 5,189 | 112 | 2.16% | 5,162 | 83 | 1.61% |
| Total borrowed funds | 61,528 | 1,811 | 2.94% | 59,306 | 1,632 | 2.75% | 56,889 | 1,083 | 1.90% |
| Total interest-bearing liabilities/interest expense | 266,116 | 3,797 | 1.43% | 245,667 | 2,861 | 1.16% | 236,336 | 1,706 | .72% |
| Noninterest-bearing liabilities and equity: | | | | | | | | | |
| Noninterest-bearing deposits | 72,212 | | | 76,303 | | | 78,634 | | |
| Accrued expenses and other liabilities | 13,371 | | | 9,440 | | | 10,518 | | |
| Equity | 48,636 | | | 46,825 | | | 46,281 | | |
| Total liabilities and equity | $400,335 | | | $378,235 | | | $371,769 | | |
| Interest rate spread | | | 2.55% | | | 2.68% | | | 2.67% |
| Benefit from use of noninterest bearing sources | | | .34 | | | .29 | | | .20 |
| Net interest income/margin | | $ 10,068 | 2.89% | | $ 9,836 | 2.97% | | $ 9,323 | 2.87% |

(a) Nonaccrual loans are included in loans, net of unearned income. The impact of financial derivatives used in interest rate risk management is included in the interest income/expense and average yields/rates of the related assets and liabilities. Basis adjustments related to hedged items are included in noninterest-earning assets and noninterest-bearing liabilities. Average balances of securities are based on amortized historical cost (excluding adjustments to fair value, which are included in other assets). Average balances for certain loans and borrowed funds accounted for at fair value are included in noninterest-earning assets and noninterest-bearing liabilities, with changes in fair value recorded in Noninterest income.

(b) Loan fees for the years ended December 31, 2019, 2018 and 2017 were $163 million, $139 million and $126 million, respectively.

(c) Interest income calculated as taxable-equivalent interest income. To provide more meaningful comparisons of interest income and yields for all interest-earning assets, as well as net interest margins, we use interest income on a taxable-equivalent basis in calculating average yields and net interest margin by increasing the interest income earned on tax-exempt assets to make it fully equivalent to interest income earned on taxable investments. This adjustment is not permitted under GAAP. See Reconciliation of Taxable-Equivalent Net Interest Income in this Statistical Information section for more information.

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## Analysis of Year-To-Year Changes in Net Interest Income (a) (b)

| Taxable-equivalent basis | 2019/2018 | | | 2018/2017 | | |
|---|---|---|---|---|---|---|
| | Increase/(Decrease) in Income/ Expense Due to Changes in: | | | Increase/(Decrease) in Income/ Expense Due to Changes in: | | |
| In millions | Volume | Rate | Total | Volume | Rate | Total |
| **Interest-Earning Assets** | | | | | | |
| Investment securities | | | | | | |
| Securities available for sale | | | | | | |
| Residential mortgage-backed | | | | | | |
| Agency | $ 119 | $ 8 | $ 127 | $ 37 | $ 41 | $ 78 |
| Non-agency | $ (33) | $ 28 | (5) | $ (39) | $ 32 | (7) |
| Commercial mortgage-backed | $ 32 | $ 2 | 34 | $ (18) | $ (10) | (28) |
| Asset-backed | $ (1) | $ 8 | 7 | $ (12) | $ 30 | 18 |
| U.S. Treasury and government agencies | $ 32 | $ 30 | 62 | $ 63 | $ 75 | 138 |
| Other | $ (29) | $ (6) | (35) | $ (34) | $ 18 | (16) |
| Total securities available for sale | $ 160 | $ 30 | 190 | $ 48 | $ 135 | 183 |
| Securities held to maturity | | | | | | |
| Residential mortgage-backed | $ (7) | $ (12) | (19) | $ 75 | $ 17 | 92 |
| Commercial mortgage-backed | $ (8) | | (8) | $ (18) | $ (4) | (22) |
| Asset-backed | $ (3) | $ 1 | (2) | $ (7) | $ 4 | (3) |
| U.S. Treasury and government agencies | $ 1 | $ 1 | 2 | $ 4 | $ (1) | 3 |
| Other | $ (3) | $ 1 | (2) | $ (6) | $ (17) | (23) |
| Total securities held to maturity | $ (18) | $ (11) | (29) | $ 61 | $ (14) | 47 |
| Total investment securities | $ 147 | $ 14 | 161 | $ 104 | $ 126 | 230 |
| Loans | | | | | | |
| Commercial | $ 404 | $ 147 | 551 | $ 224 | $ 604 | 828 |
| Commercial real estate | $ (10) | $ 52 | 42 | $ (27) | $ 166 | 139 |
| Equipment lease financing | $ (7) | $ 25 | 18 | $ (6) | $ 25 | 19 |
| Consumer | $ 12 | $ 254 | 266 | $ (39) | $ 271 | 232 |
| Residential real estate | $ 95 | $ (35) | 60 | $ 73 | $ (14) | 59 |
| Total loans | $ 521 | $ 416 | 937 | $ 237 | $ 1,040 | 1,277 |
| Interest-earning deposits with banks | $ (74) | $ 48 | (26) | $ (42) | $ 154 | 112 |
| Other interest-earning assets | $ 168 | $ (72) | 96 | $ (33) | $ 82 | 49 |
| Total interest-earning assets | $ 687 | $ 481 | $ 1,168 | $ 185 | $ 1,483 | $ 1,668 |
| **Interest-Bearing Liabilities** | | | | | | |
| Interest-bearing deposits | | | | | | |
| Money market | $ (6) | $ 199 | $ 193 | $ (23) | $ 222 | $ 199 |
| Demand | $ 17 | $ 147 | 164 | $ 5 | $ 109 | 114 |
| Savings | $ 101 | $ 167 | 268 | $ 49 | $ 182 | 231 |
| Time deposits | $ 36 | $ 96 | 132 | $ 1 | $ 61 | 62 |
| Total interest-bearing deposits | $ 130 | $ 627 | 757 | $ 25 | $ 581 | 606 |
| Borrowed funds | | | | | | |
| Federal Home Loan Bank borrowings | $ 30 | $ 61 | 91 | $ 15 | $ 202 | 217 |
| Bank notes and senior debt | $ (33) | $ 84 | 51 | $ 49 | $ 252 | 301 |
| Subordinated debt | $ 12 | $ (22) | (10) | $ (38) | $ 40 | 2 |
| Other | 40 | $ 7 | 47 | | $ 29 | 29 |
| Total borrowed funds | $ 62 | $ 117 | 179 | $ 48 | $ 501 | 549 |
| Total interest-bearing liabilities | $ 246 | $ 690 | 936 | $ 70 | $ 1,085 | 1,155 |
| Change in net interest income | $ 502 | $ (270) | $ 232 | $ 166 | $ 347 | $ 513 |

(a) Changes attributable to rate/volume are prorated into rate and volume components.

(b) Interest income calculated as taxable-equivalent interest income. To provide more meaningful comparisons of interest income, we use interest income on a taxable-equivalent basis by increasing the interest income earned on tax-exempt assets to make it fully equivalent to interest income earned on taxable investments. This adjustment is not permitted under GAAP. See Reconciliation of Taxable-Equivalent Net Interest Income in this Statistical Information section for more information.

## Reconciliation of Taxable-Equivalent Net Interest Income (Non-GAAP) (a)

| Year ended December 31<br>In millions | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Net interest income (GAAP) | $ 9,965 | $ 9,721 | $ 9,108 | $ 8,391 | $ 8,278 |
| Taxable-equivalent adjustments | 103 | 115 | 215 | 195 | 196 |
| Net interest income (Non-GAAP) | $ 10,068 | $ 9,836 | $ 9,323 | $ 8,586 | $ 8,474 |

(a) The interest income earned on certain earning assets is completely or partially exempt from federal income tax. As such, these tax-exempt instruments typically yield lower returns than taxable investments. To provide more meaningful comparisons of net interest income, we use interest income on a taxable-equivalent basis by increasing the interest income earned on tax-exempt assets to make it fully equivalent to interest income earned on taxable investments. This adjustment is not permitted under GAAP.

## Reconciliation of Fee Income (Non-GAAP)

| Year ended December 31<br>In millions | 2019 | 2018 | 2017 |
|---|---|---|---|
| Noninterest income | | | |
| Asset management | $ 1,850 | $ 1,825 | $ 1,942 |
| Consumer services | 1,555 | 1,502 | 1,415 |
| Corporate services | 1,914 | 1,849 | 1,742 |
| Residential mortgage | 368 | 316 | 350 |
| Service charges on deposits | 702 | 714 | 695 |
| Total fee income | 6,389 | 6,206 | 6,144 |
| Other | 1,473 | 1,205 | 1,077 |
| Total noninterest income | $ 7,862 | $ 7,411 | $ 7,221 |

## Reconciliation of Tangible Book Value Per Common Share (Non-GAAP)

| December 31<br>Dollars in millions, except per share data | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Book value per common share | $ 104.59 | $ 95.72 | $ 91.94 | $ 85.94 | $ 81.84 |
| Tangible book value per common share | | | | | |
| Common shareholders' equity | $ 45,321 | $ 43,742 | $ 43,530 | $ 41,723 | $ 41,258 |
| Goodwill and other intangible assets | (9,441) | (9,467) | (9,498) | (9,376) | (9,482) |
| Deferred tax liabilities on Goodwill and other intangible assets | 187 | 190 | 191 | 304 | 310 |
| Tangible common shareholders' equity | $ 36,067 | $ 34,465 | $ 34,223 | $ 32,651 | $ 32,086 |
| Period-end common shares outstanding (in millions) | 433 | 457 | 473 | 485 | 504 |
| Tangible book value per common share (Non-GAAP) (a) | $ 83.30 | $ 75.42 | $ 72.28 | $ 67.26 | $ 63.65 |

(a) We believe this non-GAAP financial measure serves as a useful tool to help evaluate the strength and discipline of a company's capital management strategies and as an additional conservative measure of total company value.

## Loans Summary

| December 31 – in millions | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Commercial lending | | | | | |
| Commercial | $ 125,337 | $ 116,834 | $ 110,527 | $ 101,364 | $ 98,608 |
| Commercial real estate | 28,110 | 28,140 | 28,978 | 29,010 | 27,468 |
| Equipment lease financing | 7,155 | 7,308 | 7,934 | 7,581 | 7,468 |
| Total commercial lending | 160,602 | 152,282 | 147,439 | 137,955 | 133,544 |
| Consumer lending | | | | | |
| Home equity | 25,085 | 26,123 | 28,364 | 29,949 | 32,133 |
| Residential real estate | 21,821 | 18,657 | 17,212 | 15,598 | 14,411 |
| Automobile | 16,754 | 14,419 | 12,880 | 12,380 | 11,157 |
| Credit card | 7,308 | 6,357 | 5,699 | 5,282 | 4,862 |
| Education | 3,336 | 3,822 | 4,454 | 5,159 | 5,881 |
| Other consumer | 4,937 | 4,585 | 4,410 | 4,510 | 4,708 |
| Total consumer lending | 79,241 | 73,963 | 73,019 | 72,878 | 73,152 |
| Total loans | $ 239,843 | $ 226,245 | $ 220,458 | $ 210,833 | $ 206,696 |

## Selected Loan Maturities and Interest Sensitivity

| December 31, 2019<br>In millions | 1 Year or Less | 1 Through 5 Years | After 5 Years | Gross Loans |
|---|---|---|---|---|
| Commercial | $ 39,531 | $ 79,258 | $ 6,548 | $ 125,337 |
| Commercial real estate | 6,251 | 15,064 | 6,795 | 28,110 |
| Total | $ 45,782 | $ 94,322 | $ 13,343 | $ 153,447 |
| Loans with: | | | | |
| Predetermined rate | $ 6,328 | $ 14,409 | $ 6,317 | $ 27,054 |
| Floating or adjustable rate | 39,454 | 79,913 | 7,026 | 126,393 |
| Total | $ 45,782 | $ 94,322 | $ 13,343 | $ 153,447 |

At December 31, 2019, $21.9 billion notional amount of receive-fixed interest rate swaps were designated as part of cash flow hedging strategies that converted the floating rate (LIBOR) on the underlying commercial loans to a fixed rate as part of risk management strategies.

## Nonperforming Assets and Related Information

| December 31 – dollars in millions | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Nonperforming loans | | | | | |
| Commercial | $ 425 | $ 346 | $ 429 | $ 496 | $ 351 |
| Commercial real estate | 44 | 75 | 123 | 143 | 187 |
| Equipment lease financing | 32 | 11 | 2 | 16 | 7 |
| Total commercial lending | 501 | 432 | 554 | 655 | 545 |
| Consumer lending (a) | | | | | |
| Home equity | 669 | 797 | 818 | 914 | 977 |
| Residential real estate | 315 | 350 | 400 | 501 | 549 |
| Automobile | 135 | 100 | 76 | 55 | 35 |
| Credit card | 11 | 7 | 6 | 4 | 3 |
| Other consumer | 4 | 8 | 11 | 15 | 17 |
| Total consumer lending | 1,134 | 1,262 | 1,311 | 1,489 | 1,581 |
| Total nonperforming loans (b) | 1,635 | 1,694 | 1,865 | 2,144 | 2,126 |
| OREO and foreclosed assets | 117 | 114 | 170 | 230 | 299 |
| Total nonperforming assets | $ 1,752 | $ 1,808 | $ 2,035 | $ 2,374 | $ 2,425 |
| Nonperforming loans to total loans | .68% | .75% | .85% | 1.02% | 1.03% |
| Nonperforming assets to total loans, OREO and foreclosed assets | .73% | .80% | .92% | 1.12% | 1.17% |
| Nonperforming assets to total assets | .43% | .47% | .53% | .65% | .68% |
| Interest on nonperforming loans (c) | | | | | |
| Computed on original terms | $ 124 | $ 123 | $ 114 | $ 111 | $ 115 |
| Recognized prior to nonperforming status | $ 17 | $ 17 | $ 19 | $ 21 | $ 22 |
| Troubled Debt Restructurings | | | | | |
| Nonperforming | $ 843 | $ 863 | $ 964 | $ 1,112 | $ 1,119 |
| Performing | $ 821 | $ 988 | $ 1,097 | $ 1,109 | $ 1,232 |
| Past due loans | | | | | |
| Accruing loans past due 90 days or more (d) | $ 585 | $ 629 | $ 737 | $ 782 | $ 881 |
| As a percentage of total loans | .24% | .28% | .33% | .37% | .43% |
| Past due loans held for sale | | | | | |
| Accruing loans held for sale past due 90 days or more | $ 3 | $ 4 | $ 3 | $ 4 | $ 4 |
| As a percentage of total loans held for sale | .28% | .40% | .11% | .16% | .29% |

(a) Excludes most unsecured consumer loans and lines of credit, which are charged off after 120 to 180 days past due and are not placed on nonperforming status.
(b) Nonperforming loans exclude certain government insured or guaranteed loans, loans held for sale, loans accounted for under the fair value option and purchased impaired loans.
(c) Amounts are for the year ended.
(d) Past due loan amounts include government insured or guaranteed consumer loans of $.6 billion $.5 billion, $.6 billion, $.7 billion and $.8 billion at December 31, 2019, 2018, 2017, 2016 and 2015, respectively.

## Summary of Loan Loss Experience

| Year ended December 31 – dollars in millions | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Allowance for loan and lease losses | | | | | |
| January 1 | $ 2,629 | $ 2,611 | $ 2,589 | $ 2,727 | $ 3,331 |
| Gross charge-offs | | | | | |
| Commercial | (183) | (108) | (186) | (332) | (206) |
| Commercial real estate | (18) | (8) | (24) | (26) | (44) |
| Equipment lease financing | (15) | (8) | (11) | (5) | (5) |
| Home equity | (68) | (110) | (123) | (143) | (181) |
| Residential real estate | (9) | (6) | (9) | (14) | (24) |
| Credit card | (263) | (217) | (182) | (161) | (160) |
| Other consumer (a) | (418) | (307) | (251) | (205) | (185) |
| Total gross charge-offs | (974) | (764) | (786) | (886) | (805) |
| Recoveries | | | | | |
| Commercial | 59 | 67 | 81 | 117 | 170 |
| Commercial real estate | 11 | 24 | 28 | 51 | 66 |
| Equipment lease financing | 8 | 8 | 7 | 10 | 4 |
| Home equity | 74 | 98 | 91 | 84 | 93 |
| Residential real estate | 14 | 21 | 18 | 9 | 13 |
| Credit card | 27 | 24 | 21 | 19 | 21 |
| Other consumer (a) | 139 | 102 | 83 | 53 | 52 |
| Total recoveries | 332 | 344 | 329 | 343 | 419 |
| Net (charge-offs) | (642) | (420) | (457) | (543) | (386) |
| Provision for credit losses | 773 | 408 | 441 | 433 | 255 |
| Net decrease / (increase) in allowance for unfunded loan commitments and letters of credit | (33) | 12 | 4 | (40) | (2) |
| Other (b) | 15 | 18 | 34 | 12 | (471) |
| December 31 | $ 2,742 | $ 2,629 | $ 2,611 | $ 2,589 | $ 2,727 |
| ALLL as a percentage of December 31: | | | | | |
| Loans (b) | 1.14% | 1.16% | 1.18% | 1.23% | 1.32% |
| Nonperforming loans | 168% | 155% | 140% | 121% | 128% |
| As a percentage of average loans: | | | | | |
| Net charge-offs | .27% | .19% | .21% | .26% | .19% |
| Provision for credit losses | .33% | .18% | .20% | .21% | .12% |
| ALLL (b) | 1.17% | 1.18% | 1.20% | 1.24% | 1.33% |
| ALLL as a multiple of net charge-offs | 4.27x | 6.26x | 5.71x | 4.77x | 7.06x |

(a) Includes automobile, education and other consumer.
(b) Includes $468 million in write-offs of purchased impaired loans in 2015 due to the change in derecognition policy effective December 31, 2015 for certain consumer purchased impaired loans. See Note 1 Accounting Policies in our 2015 Form 10-K for additional information.

The following table presents the assignment of the ALLL and the categories of loans as a percentage of total loans. Changes in the allocation over time reflect the changes in loan portfolio composition, risk profile and refinements to reserve methodologies.

## Allocation of Allowance for Loan and Lease Losses

| | 2019 | | 2018 | | 2017 | | 2016 | | 2015 | |
|---|---|---|---|---|---|---|---|---|---|---|
| December 31 dollars in millions | Allowance | Loans to Total Loans | Allowance | Loans to Total Loans | Allowance | Loans to Total Loans | Allowance | Loans to Total Loans | Allowance | Loans to Total Loans |
| Commercial | $ 1,489 | 52.3% | $ 1,350 | 51.6% | $ 1,302 | 50.1% | $ 1,179 | 48.1% | $ 1,286 | 47.7% |
| Commercial real estate | 278 | 11.7 | 271 | 12.4 | 244 | 13.1 | 320 | 13.8 | 281 | 13.3 |
| Equipment lease financing | 45 | 3.0 | 42 | 3.2 | 36 | 3.6 | 35 | 3.6 | 38 | 3.6 |
| Home equity | 87 | 10.5 | 204 | 11.6 | 284 | 12.9 | 357 | 14.2 | 484 | 15.5 |
| Residential real estate | 258 | 9.1 | 297 | 8.3 | 300 | 7.8 | 332 | 7.4 | 307 | 7.0 |
| Credit card | 288 | 3.0 | 239 | 2.8 | 220 | 2.6 | 181 | 2.5 | 167 | 2.4 |
| Other consumer (a) | 297 | 10.4 | 226 | 10.1 | 225 | 9.9 | 185 | 10.4 | 164 | 10.5 |
| Total | $ 2,742 | 100.0% | $ 2,629 | 100.0% | $ 2,611 | 100.0% | $ 2,589 | 100.0% | $ 2,727 | 100.0% |

(a) Includes automobile, education and other consumer.

### Time Deposits

The aggregate amount of time deposits with a denomination of $100,000 or more was $13.3 billion at December 31, 2019 and $10.2 billion at December 31, 2018. Time deposits of $100,000 or more included time deposits in foreign offices of $6.2 billion at December 31, 2019. Domestic time deposits of $100,000 or more were $7.1 billion at December 31, 2019 with the following maturities:

| December 31, 2019 - in billions | Domestic Time Deposits |
|---|---|
| Three months or less | $ 1.9 |
| Over three through six months | 1.7 |
| Over six through twelve months | 2.4 |
| Over twelve months | 1.1 |
| Total | $ 7.1 |

### Transitional Basel III and Fully Phased-In Basel III Common Equity Tier 1 Capital Ratios (Non-GAAP)

Our regulatory risk-based ratios for 2015 through 2017 were calculated using the standardized approach for determining risk-weighted assets, and the definitions of, and deductions from, regulatory capital under the Basel III rules (as such definitions and deductions were phased-in for 2015 through 2017). We refer to the capital ratios calculated using the phased-in Basel III provisions in effect for those periods and, for the risk-based ratios, standardized approach risk-weighted assets as the Transitional Basel III ratios.

| | Transitional Basel III | | | Fully Phased-In Basel III (Non-GAAP) (estimated) (a) | | |
|---|---|---|---|---|---|---|
| Dollars in millions | December 31 2017 | December 31 2016 | December 31 2015 | December 31 2017 | December 31 2016 | December 31 2015 |
| Common stock, related surplus and retained earnings, net of treasury stock | $ 43,676 | $ 41,987 | $ 41,128 | $ 43,676 | $ 41,987 | $ 41,128 |
| Less regulatory capital adjustments: | | | | | | |
| Goodwill and disallowed intangibles, net of deferred tax liabilities | (9,243) | (8,974) | (8,972) | (9,307) | (9,073) | (9,172) |
| Basel III total threshold deductions | (1,983) | (762) | (470) | (2,928) | (1,469) | (1,294) |
| Accumulated other comprehensive income (b) | (166) | (238) | (81) | (207) | (396) | (201) |
| All other adjustments | (138) | (214) | (112) | (141) | (221) | (182) |
| Basel III Common equity Tier 1 capital | $ 32,146 | $ 31,799 | $ 31,493 | $ 31,093 | $ 30,828 | $ 30,279 |
| Basel III standardized approach risk-weighted assets (c) | $ 309,460 | $ 300,533 | $ 295,905 | $ 316,120 | $ 308,517 | $ 303,707 |
| Basel III advanced approaches risk-weighted assets (d) | N/A | N/A | N/A | $ 285,226 | $ 277,896 | $ 264,931 |
| Basel III Common equity Tier 1 capital ratio | 10.4% | 10.6% | 10.6% | 9.8% | 10.0% | 10.0% |
| Risk weight and associated rules utilized | Standardized (with 2017 transition adjustments) | Standardized (with 2016 transition adjustments) | Standardized (with 2015 transition adjustments) | Standardized | | |

(a) Pro forma fully phased-in Basel III ratios are calculated without the benefit of phase-ins. We believe that the pro forma fully phased-in Basel III capital ratios are a useful tool to assess our capital position (without the benefit of phase-ins), for the periods presented.
(b) Represented net adjustments related to accumulated other comprehensive income for securities, and those transferred from, available for sale, as well as pension and other postretirement plans.
(c) Basel III standardized approach risk-weighted assets were based on the Basel III standardized approach rules and include credit and market risk-weighted assets.
(d) Basel III advanced approaches risk-weighted assets were based on the Basel III advanced approaches rules, and include credit, market and operational risk-weighted assets.

## ITEM 9 – CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A – CONTROLS AND PROCEDURES

### Management's Report on Internal Control over Financial Reporting

The management of The PNC Financial Services Group, Inc. and subsidiaries (PNC) is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Exchange Act Rule 13a-15(f).

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We performed an evaluation under the supervision and with the participation of our management, including the Chairman, President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer, of the effectiveness of PNC's internal control over financial reporting as of December 31, 2019. This assessment was based on criteria for effective internal control over financial reporting described in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that PNC maintained effective internal control over financial reporting as of December 31, 2019.

PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited our consolidated financial statements as of and for the year ended December 31, 2019 included in this Report, has also audited the effectiveness of PNC's internal control over financial reporting as of December 31, 2019. The report of PricewaterhouseCoopers LLP is included under Item 8 of this Report.

### Disclosure Controls and Procedures and Changes in Internal Control over Financial Reporting

As of December 31, 2019, we performed an evaluation under the supervision and with the participation of our management, including the Chairman, President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures and of changes in our internal control over financial reporting.

Based on that evaluation, our Chairman, President and Chief Executive Officer and our Executive Vice President and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934, as amended) were effective as of December 31, 2019, and that there has been no change in PNC's internal control over financial reporting that occurred during the fourth quarter of 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## ITEM 9B – OTHER INFORMATION

None.

# PART III

## ITEM 10 – DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Certain of the information regarding our directors (or nominees for director), executive officers and Audit Committee (and Audit Committee financial experts), required by this item is included under the captions "Election of Directors (Item 1)," and "Corporate Governance – Board committees – Audit Committee," in our Proxy Statement to be filed for the 2020 annual meeting of shareholders and is incorporated herein by reference.

Additional information regarding our executive officers is included in Part I of this Report under the captions "Information about our Executive Officers."

Information regarding our compliance with Section 16(a) of the Securities Exchange Act of 1934 is included, to the extent necessary, under the caption "Delinquent Section 16(a) Reports" in our Proxy Statement to be filed for the 2020 annual meeting of shareholders and is incorporated herein by reference.

Certain information regarding our PNC Code of Business Conduct and Ethics required by this item is included under the caption "Corporate Governance – Our Code of Business Conduct and Ethics" and "Director and Executive Officer Relationships – Code of Business Conduct and Ethics" in our Proxy Statement to be filed for the 2020 annual meeting of shareholders and is incorporated herein by reference. Our PNC Code of Business Conduct and Ethics is available on our corporate website at www.pnc.com/corporategovernance. In addition, any future amendments to, or waivers from, a provision of the PNC Code of Business Conduct and Ethics that applies to our directors or executive officers (including our principal executive officer, principal financial officer, and principal accounting officer or controller) will be posted at this internet address.

## ITEM 11 – EXECUTIVE COMPENSATION

The information required by this item is included under the captions "Corporate Governance – Board committees – Personnel and Compensation Committee – Compensation committee interlocks and insider participation," "Director Compensation," "Compensation Discussion and Analysis," "Compensation Committee Report," "Compensation and Risk," "Compensation Tables," "Change in Control and Termination of Employment" and "CEO Pay Ratio" in our Proxy Statement to be filed for the 2020 annual meeting of shareholders and is incorporated herein by reference. In accordance with Item 407(e)(5) of Regulation S-K, the information set forth under the caption "Compensation Committee Report" in such Proxy Statement will be deemed to be furnished in this Report and will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act as a result of furnishing the disclosure in this manner.

## ITEM 12 – SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item regarding security ownership of certain beneficial owners and management is included under the caption "Security Ownership of Management and Certain Beneficial Owners" in our Proxy Statement to be filed for the 2020 annual meeting of shareholders and is incorporated herein by reference.

Information regarding our compensation plans under which PNC equity securities are authorized for issuance as of December 31, 2019 is included in the table which follows. Additional information regarding these plans is included in Note 12 Stock Based Compensation Plans in the Notes To Consolidated Financial Statements in Item 8 of this Report.

**Equity Compensation Plan Information**
**At December 31, 2019**

| | (a) | | (b) | (c) | |
|---|---|---|---|---|---|
| | Number of securities to be issued upon exercise of outstanding options, warrants and rights | | Weighted-average exercise price of outstanding options, warrants and rights (1) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) | |
| **Plan Category** | | | | | |
| Equity compensation plans approved by security holders | 4,653,282 | (2) | $ 61.12 | 29,115,558 | (3) |
| Equity compensation plans not approved by security holders | — | | $ — | — | |
| **Total** | **4,653,282** | | **$ 61.12** | **29,115,558** | |

(1) – The weighted-average exercise price does not take into account restricted stock units or incentive performance units because they have no exercise price.

(2) – Of this total, the following amounts relate to the 2016 Incentive Award Plan (2016 Incentive Plan), approved by shareholders on April 26, 2016: 3,492,063 are stock-payable restricted stock units (at a maximum share award level), 444,969 are performance share units (at maximum share award level), 30,147 are deferred stock units (at a maximum share award level), and 108,176 are incentive performance unit awards (at a maximum share award level). Also included in this total are the following amounts that relate to the 2006 Incentive Award Plan, as amended and restated (2006 Incentive Plan): 328,147 are stock options, 249,780 are stock-payable restricted stock units (at a maximum award level).

Under both the 2016 Incentive Plan and the 2006 Incentive Plan (for incentive performance unit awards under each) upon achievement of performance goals and other conditions above target level, payment is made in cash share equivalents, up to a maximum of 25% of the target number of share units.

Following shareholder approval of the 2016 Incentive Plan, no further grants were permitted under the 2006 Incentive Plan.

(3) – Includes 291,751 shares available for issuance under the Employee Stock Purchase Plan, of which 67,362 shares are subject to purchase during the purchase period ending December 31, 2019. The amount available for awards under the 2016 Incentive Plan is 28,823,807.

## ITEM 13 – CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is included under the captions "Director and Executive Officer Relationships – Director independence, – Transactions with directors, – Family relationships, and – Indemnification and advancement of costs" and "Related Person Transactions" in our Proxy Statement to be filed for the 2020 annual meeting of shareholders and is incorporated herein by reference.

## ITEM 14 – PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is included under the caption "Ratification of Independent Registered Public Accounting Firm (Item 2) – Audit, audit-related and permitted non-audit fees and – Procedures for pre-approving audit services, audit-related services and permitted non-audit services" in our Proxy Statement to be filed for the 2020 annual meeting of shareholders and is incorporated herein by reference.

# PART IV

## ITEM 15 – EXHIBITS, FINANCIAL STATEMENT SCHEDULES

### FINANCIAL STATEMENTS, FINANCIAL STATEMENT SCHEDULES

Our consolidated financial statements required in response to this Item are incorporated by reference from Item 8 of this Report. Audited consolidated financial statements of BlackRock, Inc. as of December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 are filed with this Report as Exhibit 99.1 and incorporated herein by reference.

### EXHIBIT INDEX

| Exhibit No. | Description | Method of Filing + |
|---|---|---|
| 3.1.1 | Amended and Restated Articles of Incorporation of the Corporation, effective January 2, 2009 | Incorporated herein by reference to Exhibit 3.1 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2008 (2008 Form 10-K) |
| 3.1.2 | Statement with Respect to Shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series O dated July 21, 2011 | Incorporated herein by reference to Exhibit 3.1 of the Corporation's Current Report on Form 8-K filed July 27, 2011 |
| 3.1.3 | Statement with Respect to Shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series P dated April 19, 2012 | Incorporated herein by reference to Exhibit 3.1 of the Corporation's Current Report on Form 8-K filed April 24, 2012 |
| 3.1.4 | Statement with Respect to Shares of 5.375% Non-Cumulative Perpetual Preferred Stock, Series Q dated September 14, 2012 | Incorporated herein by reference to Exhibit 3.1 of the Corporation's Current Report on Form 8-K filed September 21, 2012 |
| 3.1.5 | Statement with Respect to Shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series R dated May 2, 2013 | Incorporated herein by reference to Exhibit 3.1 of the Corporation's Current Report on Form 8-K filed May 7, 2013 |
| 3.1.6 | Amendment to Amended and Restated Articles of Incorporation of the Corporation, effective November 19, 2015 | Incorporated herein by reference to Exhibit 3.1.6 of the Corporation's Current Report on Form 8-K filed November 20, 2015 |
| 3.1.7 | Statement with Respect to Shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series S dated October 27, 2016 | Incorporated herein by reference to Exhibit 3.1 of the Corporation's Current Report on Form 8-K filed November 1, 2016 |
| 3.2 | By-Laws of the Corporation, as amended and restated, effective August 11, 2016 | Incorporated herein by reference to Exhibit 3.2 of the Corporation's Current Report on Form 8-K filed August 11, 2016 |
| 4.1 | There are no instruments with respect to long-term debt of the Corporation and its subsidiaries that involve a total amount of securities authorized thereunder that exceed 10 percent of the total assets of the Corporation and its subsidiaries on a consolidated basis. The Corporation agrees to provide the SEC with a copy of instruments defining the rights of holders of long-term debt of the Corporation and its subsidiaries on request. | |
| 4.2 | Deposit Agreement dated July 27, 2011, between the Corporation, Computershare Trust Company, N.A., Computershare Inc. and the holders from time to time of the Depositary Receipts representing interests in the Series O preferred stock | Incorporated herein by reference to Exhibit 4.2 of the Corporation's Current Report on Form 8-K filed July 27, 2011 |

| Exhibit No. | Description | Method of Filing + |
|---|---|---|
| 4.3 | Deposit Agreement, dated April 24, 2012, between the Corporation, Computershare Trust Company, N.A., Computershare Inc. and the holders from time to time of the Depositary Receipts representing interests in the Series P preferred stock | Incorporated herein by reference to Exhibit 4.2 of the Corporation's Current Report on Form 8-K filed April 24, 2012 |
| 4.4 | Deposit Agreement, dated September 21, 2012, between the Corporation, Computershare Trust Company, N.A., Computershare Inc. and the holders from time to time of the Depositary Receipts representing interests in the Series Q preferred stock | Incorporated herein by reference to Exhibit 4.2 of the Corporation's Current Report on Form 8-K filed September 21, 2012 |
| 4.5 | Deposit Agreement, dated May 7, 2013, between the Corporation, Computershare Trust Company, N.A., Computershare Inc. and the holders from time to time of the Depositary Receipts representing interests in the Series R preferred stock | Incorporated herein by reference to Exhibit 4.2 of the Corporation's Current Report on Form 8-K filed May 7, 2013 |
| 4.6 | Deposit Agreement, dated November 1, 2016, between the Corporation, Computershare Trust Company, N.A., Computershare Inc. and the holders from time to time of the Depositary Receipts representing interests in the Series S preferred stock | Incorporated herein by reference to Exhibit 4.2 of the Corporation's Current Report on Form 8-K filed November 1, 2016 |
| 4.7 | Form of PNC Bank, National Association Subordinated Fixed Rate Global Bank Note issued prior to January 16, 2014 | Incorporated herein by reference to Exhibit 4.11 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 |
| 4.8.1 | Issuing and Paying Agency Agreement, dated January 16, 2014, between PNC Bank, National Association and PNC Bank, National Association, relating to the $25 billion Global Bank Note Program for the Issue of Senior and Subordinated Bank Notes | Incorporated herein by reference to Exhibit 4.25 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2013 (2013 Form 10-K) |
| 4.8.2 | Amendment No. 1 to Issuing and Paying Agency Agreement, dated May 22, 2015, between PNC Bank, National Association and PNC Bank, National Association, relating to the $30 billion Global Bank Note Program for the Issue of Senior and Subordinated Bank Notes | Incorporated herein by reference to Exhibit 4.21.2 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 (2nd Quarter 2015 Form 10-Q) |
| 4.8.3 | Amendment No. 2 to Issuing and Paying Agency Agreement, dated May 27, 2016, between PNC Bank, National Association and PNC Bank, National Association, relating to the $40 billion Global Bank Note Program for the Issue of Senior and Subordinated Bank Notes | Incorporated herein by reference to Exhibit 4.20.3 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 (2nd Quarter 2016 Form 10-Q) |
| 4.9 | Forms of PNC Bank, National Association Senior Global Bank Notes issued after January 16, 2014 (included in Exhibit 4.8.1) | Incorporated herein by reference to Exhibit 4.25 of the Corporation's 2013 Form 10-K |
| 4.10 | Forms of PNC Bank, National Association Subordinated Global Bank Notes issued on or after May 22, 2015 (included in Exhibit 4.8.2) | Incorporated herein by reference to Exhibit 4.21.2 of the Corporation's 2nd Quarter 2015 Form 10-Q |
| 4.11 | Description of the Corporation's Securities | Filed herewith |
| 10.1.1 | The Corporation's Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2009 | Incorporated herein by reference to Exhibit 10.2 of the Corporation's 2008 Form 10-K* |
| 10.1.2 | Amendment 2009-1 to the Corporation's Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2009 | Incorporated herein by reference to Exhibit 10.3 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2009 (2009 Form 10-K)* |
| 10.1.3 | Amendment 2013-1 to the Corporation's Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2009 | Incorporated herein by reference to Exhibit 10.1.3 of the Corporation's 2013 Form 10-K* |

| Exhibit No. | Description | Method of Filing + |
|---|---|---|
| 10.2.1 | The Corporation's ERISA Excess Pension Plan, as amended and restated effective January 1, 2009 | Incorporated herein by reference to Exhibit 10.4 of the Corporation's 2008 Form 10-K* |
| 10.2.2 | Amendment 2009-1 to the Corporation's ERISA Excess Plan, as amended and restated effective January 1, 2009 | Incorporated herein by reference to Exhibit 10.6 of the Corporation's 2009 Form 10-K* |
| 10.2.3 | Amendment 2011-1 to the Corporation's ERISA Excess Pension Plan, as amended and restated effective January 1, 2009 | Incorporated herein by reference to Exhibit 10.8 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2011 (2011 Form 10-K)* |
| 10.2.4 | Amendment 2013-1 to the Corporation's ERISA Excess Pension Plan, as amended and restated effective January 1, 2009 | Incorporated herein by reference to Exhibit 10.2.4 of the Corporation's 2013 Form 10-K* |
| 10.3.1 | The Corporation's Key Executive Equity Program, as amended and restated effective January 1, 2009 | Incorporated herein by reference to Exhibit 10.6 of the Corporation's 2008 Form 10-K* |
| 10.3.2 | Amendment 2009-1 to the Corporation's Key Executive Equity Program, as amended and restated as of January 1, 2009 | Incorporated herein by reference to Exhibit 10.9 of the Corporation's 2009 Form 10-K* |
| 10.4.1 | The Corporation's Supplemental Incentive Savings Plan, as amended and restated effective January 1, 2010 | Incorporated herein by reference to Exhibit 10.17 of the Corporation's 2011 Form 10-K* |
| 10.4.2 | Amendment 2013-1 to the Corporation's Supplemental Incentive Savings Plan, as amended and restated effective January 1, 2010 | Incorporated herein by reference to Exhibit 10.4.2 of the Corporation's 2013 Form 10-K* |
| 10.5.1 | The Corporation and Affiliates Deferred Compensation Plan, as amended and restated May 5, 2009 | Incorporated herein by reference to Exhibit 10.62 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009* |
| 10.5.2 | Amendment 2009-1 to the Corporation and Affiliates Deferred Compensation Plan, as amended and restated May 5, 2009 | Incorporated herein by reference to Exhibit 10.17 of the Corporation's 2009 Form 10-K* |
| 10.5.3 | Amendment 2010-1 to the Corporation and Affiliates Deferred Compensation Plan, as amended and restated May 5, 2009 | Incorporated herein by reference to Exhibit 10.20 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2010 (2010 Form 10-K)* |
| 10.5.4 | Amendment 2011-1 to the Corporation and Affiliates Deferred Compensation Plan, as amended and restated May 5, 2009 | Incorporated herein by reference to Exhibit 10.23 of the Corporation's 2011 Form 10-K* |
| 10.5.5 | Amendment 2012-1 to the Corporation and Affiliates Deferred Compensation Plan, as amended and restated May 5, 2009 | Incorporated herein by reference to Exhibit 10.24 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2012 (2012 Form 10-K)* |
| 10.5.6 | Amendment 2013-1 to the Corporation and Affiliates Deferred Compensation Plan, as amended and restated May 5, 2009 | Incorporated herein by reference to Exhibit 10.5.6 of the Corporation's 2013 Form 10-K* |
| 10.6.1 | The Corporation and Affiliates Deferred Compensation and Incentive Plan, as amended and restated effective January 1, 2017 | Incorporated herein by reference to Exhibit 10.7 of the Corporation's Form 10-K for the year ended December 31, 2016 (2016 Form 10-K)* |
| 10.6.2 | Amendment 2018-1 to the Corporation and Affiliates Deferred Compensation and Incentive Plan, as amended and restated effective January 1, 2017 | Incorporated herein by reference to Exhibit 10.6.2 of the Corporation's Form 10-K for the year ended December 31, 2018* |
| 10.6.3 | The Corporation and Affiliates Deferred Compensation and Incentive Plan, as amended and restated effective January 1, 2020 | Filed herewith* |
| 10.7 | The PNC Financial Services Group, Inc. 2016 Incentive Award Plan | Incorporated herein by reference to Exhibit 99.1 of the Corporation's Form S-8 (File No. 333-210995) filed April 29, 2016* |

| Exhibit No. | Description | Method of Filing + |
|---|---|---|
| 10.8.1 | The Corporation's 2006 Incentive Award Plan, as amended and restated effective as of March 11, 2011 | Incorporated herein by reference to Exhibit 10.70 of the Corporation's Quarterly Report on Form 1O-Q for the quarter ended March 31, 2011 (1st Quarter 2011 Form 10-Q)* |
| 10.8.2 | Addendum to the Corporation's 2006 Incentive Award Plan, effective as of January 26, 2012 | Incorporated herein by reference to Exhibit 10.28 of the Corporation's 2011 Form 10-K* |
| 10.9 | The Corporation's Directors Deferred Compensation Plan, as amended and restated effective January 1, 2015 | Incorporated herein by reference to Exhibit 10.52 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 |
| 10.10 | The Corporation's 2016 Incentive Award Plan Directors Deferred Stock Unit Program effective January 1, 2017 | Incorporated herein by reference to Exhibit 10.16 of the Corporation's 2016 Form 10-K* |
| 10.11 | Trust Agreement between the Corporation, as settlor, and Matrix Trust Company, as trustee | Incorporated herein by reference to Exhibit 10.15 of the Corporation's Form 10-K for the year ended December 31, 2017* |
| 10.12 | Trust Agreement between PNC Investment Corp., as settlor, and PNC Bank, National Association, as trustee | Incorporated herein by reference to Exhibit 10.34 of the Corporation's 3rd Quarter 2005 Form 10-Q* |
| 10.13 | Certificate of Corporate Action for Grantor Trusts effective January 1, 2012 | Incorporated herein by reference to Exhibit 10.37 of the Corporation's 2011 Form 10-K* |
| 10.14 | The Corporation's Employee Stock Purchase Plan, as amended and restated as of January 1, 2019 | Incorporated herein by reference to Exhibit 10.53 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 |
| 10.15 | 2010 forms of employee stock option, restricted stock, and restricted share unit agreements | Incorporated herein by reference to Exhibit 10.48 of the Corporation's 2009 Form 10-K* |
| 10.16 | 2011 forms of employee stock option, restricted stock, restricted share unit and performance unit agreements | Incorporated herein by reference to Exhibit 10.71 of the Corporation's 1st Quarter 2011 Form 10-Q* |
| 10.17 | 2012 forms of employee stock option, restricted stock and restricted share unit agreements | Incorporated herein by reference to Exhibit 10.77 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 (1st Quarter 2012 Form 10-Q)* |
| 10.18 | Forms of employee stock option, restricted stock and restricted share unit agreements with varied vesting, payment and other circumstances | Incorporated herein by reference to Exhibit 10.78 of the Corporation's 1st Quarter 2012 Form 10-Q* |
| 10.19 | 2013 forms of employee stock option and restricted share unit agreements | Incorporated herein by reference to Exhibit 10.64 of the Corporation's 2012 Form 10-K* |
| 10.20 | Additional 2013 forms of employee stock option, performance unit, restricted stock and restricted share unit agreements | Incorporated herein by reference to Exhibit 10.82 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013* |
| 10.21 | 2016 Form of Performance Restricted Share Units Award Agreement | Incorporated herein by reference to Exhibit 10.52 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 (3rd Quarter 2016 Form 10-Q)* |
| 10.22 | 2016 Form of Senior Leader Performance Restricted Share Units Award Agreement | Incorporated herein by reference to Exhibit 10.54 of the Corporation's 3rd Quarter 2016 Form 10-Q* |
| 10.23 | 2017 Form of Performance Restricted Share Units Award Agreement | Incorporated herein by reference to Exhibit 10.56 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 (2nd Quarter 2017 Form 10-Q)* |
| 10.24 | 2017 Form of Incentive Performance Units Award Agreement | Incorporated herein by reference to Exhibit 10.57 of the Corporation's 2nd Quarter 2017 Form 10-Q* |
| 10.25 | 2017 Form of Performance Restricted Share Units Award Agreement - Senior Leaders Program (Section 16 Executives) | Incorporated herein by reference to Exhibit 10.58 of the Corporation's 2nd Quarter 2017 Form 10-Q* |

| Exhibit No. | Description | Method of Filing + |
|---|---|---|
| 10.26 | 2017 Form of Cash-Payable Incentive Performance Units Award Agreement | Incorporated herein by reference to Exhibit 10.59 of the Corporation's 2nd Quarter 2017 Form 10-Q* |
| 10.27 | 2018 Form of Performance Share Units Award Agreement | Incorporated herein by reference to Exhibit 10.50 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 (2nd Quarter 2018 Form 10-Q)* |
| 10.28 | 2018 Form of Restricted Share Units Award Agreement | Incorporated herein by reference to Exhibit 10.51 of the Corporation's 2nd Quarter 2018 Form 10-Q* |
| 10.29 | 2018 Form of Restricted Share Units Award Agreement - Senior Leader Program | Incorporated herein by reference to Exhibit 10.52 of the Corporation's 2nd Quarter 2018 Form 10-Q* |
| 10.30 | 2019 Form of Performance Share Units Award Agreement | Incorporated herein by reference to Exhibit 10.45 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 (3rd Quarter 2019 Form 10-Q)* |
| 10.31 | 2019 Form of Restricted Share Units Award Agreement | Incorporated herein by reference to Exhibit 10.46 of the Corporation's 3rd Quarter 2019 Form 10-Q* |
| 10.32 | 2019 Form of Restricted Share Units Award Agreement - Senior Leader Program | Incorporated herein by reference to Exhibit 10.47 of the Corporation's 3rd Quarter 2019 Form 10-Q* |
| 10.33 | Form of Time-Sharing Agreement between the Corporation and certain executives | Incorporated by reference to Exhibit 10.49 of the Corporation's Current Report on Form 8-K filed April 4, 2014* |
| 10.34 | Form of change of control employment agreements | Incorporated herein by reference to Exhibit 10.51 of the Corporation's Current Report on Form 8-K filed August 16, 2016* |
| 10.35.1 | The National City Corporation 2004 Deferred Compensation Plan, as amended and restated effective January 1, 2005 | Incorporated herein by reference to Exhibit 10.35 of National City Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006* |
| 10.35.2 | Amendment to The National City Corporation 2004 Deferred Compensation Plan, as amended and restated effective January 1, 2005 | Incorporated herein by reference to Exhibit 10.56 of the Corporation's 2010 Form 10-K* |
| 10.36.1 | Amended and Restated Implementation and Stockholder Agreement, dated as of February 27, 2009, between the Corporation and BlackRock, Inc. | Incorporated herein by reference to Exhibit 10.2 of BlackRock, Inc.'s Current Report on Form 8-K filed February 27, 2009 |
| 10.36.2 | Amendment No. 1, dated as of June 11, 2009, to the Amended and Restated Implementation and Stockholder Agreement between the Corporation and BlackRock, Inc. | Incorporated herein by reference to Exhibit 10.2 of BlackRock, Inc.'s Current Report on Form 8-K filed June 17, 2009 |
| 10.37 | Exchange Agreement dated as of May 21, 2012 by and among PNC Bancorp, Inc., the Corporation and BlackRock, Inc. | Incorporated herein by reference to Exhibit 10.3 of BlackRock, Inc.'s Current Report on Form 8-K filed May 23, 2012 |
| 10.38.1 | Distribution Agreement, dated January 16, 2014, between PNC Bank, National Association and the Dealers named therein, relating to the $25 billion Global Bank Note Program for the Issue of Senior and Subordinated Bank Notes | Incorporated by reference to Exhibit 10.47 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2014 |
| 10.38.2 | Amendment No. 1 to Distribution Agreement, dated May 22, 2015, between PNC Bank, National Association and the Dealers named therein, relating to the $30 billion Global Bank Note Program for the Issue of Senior and Subordinated Bank Notes | Incorporated herein by reference to Exhibit 10.47.2 of the Corporation's 2nd Quarter 2015 Form 10-Q |

| Exhibit No. | Description | Method of Filing + |
|---|---|---|
| 10.38.3 | Amendment No. 2 to Distribution Agreement, dated May 27, 2016, between PNC Bank, National Association and the Dealers named therein, relating to the $40 billion Global Bank Note Program for the Issue of Senior and Subordinated Bank Notes | Incorporated herein by reference to Exhibit 10.48.3 of the Corporation's 2nd Quarter 2016 Form 10-Q |
| 21 | Schedule of Certain Subsidiaries of the Corporation | Filed herewith |
| 23.1 | Consent of PricewaterhouseCoopers LLP, the Corporation's Independent Registered Public Accounting Firm | Filed herewith |
| 23.2 | Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm of BlackRock, Inc. | Filed herewith |
| 24 | Powers of Attorney | Filed herewith |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 | Furnished herewith |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 | Furnished herewith |
| 99.1 | Audited consolidated financial statements of BlackRock, Inc. as of December 31, 2019 and 2018 and for each of the three years ended December 31, 2019 | Filed herewith |
| 101.INS | Inline XBRL Instance Document | Filed herewith |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document | Filed herewith |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document | Filed herewith |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document | Filed herewith |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document | Filed herewith |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document | Filed herewith |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101) | |

\+ Incorporated document references to filings by the Corporation are to SEC File No. 001-09718, to filings by National City Corporation are to SEC File No. 001-10074, to filings by BlackRock through its second quarter 2006 Form 10-Q (referred to herein as Old BlackRock) are to BlackRock Holdco 2, Inc. SEC File No. 001-15305, and to filings by BlackRock, Inc. are to SEC File No. 001-33099.

* Denotes management contract or compensatory plan.

You can obtain copies of these Exhibits electronically at the SEC's website at www.sec.gov. The Exhibits are also available as part of this Form 10-K on PNC's corporate website at www.pnc.com/secfilings. Shareholders and bondholders may also obtain copies of Exhibits, without charge, by contacting Shareholder Relations at 800-843-2206 or via e-mail at investor.relations@pnc.com. The Interactive Data File (XBRL) exhibit is only available electronically.

## ITEM 16 – FORM 10-K SUMMARY

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**The PNC Financial Services Group, Inc.**
*(Registrant)*

By: /s/ Robert Q. Reilly
Robert Q. Reilly
Executive Vice President and Chief Financial Officer
February 28, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of The PNC Financial Services Group, Inc. and in the capacities indicated on February 28, 2020.

| Signature | Capacities |
|---|---|
| /s/ William S. Demchak<br>William S. Demchak | Chairman, President, Chief Executive Officer and Director<br>(Principal Executive Officer) |
| /s/ Robert Q. Reilly<br>Robert Q. Reilly | Executive Vice President and Chief Financial Officer<br>(Principal Financial Officer) |
| /s/ Gregory H. Kozich<br>Gregory H. Kozich | Senior Vice President and Controller<br>(Principal Accounting Officer) |
| * Joseph Alvarado; Charles E. Bunch; Debra A. Cafaro; Marjorie Rodgers Cheshire; Andrew T. Feldstein; Richard J. Harshman; Daniel R. Hesse; Richard B. Kelson; Linda R. Medler, Martin Pfinsgraff; Toni Townes-Whitley; Michael J. Ward | Directors |

*By: /s/ Alicia Powell
Alicia Powell, Attorney-in-Fact,
pursuant to Powers of Attorney filed herewith

**EXHIBIT 4.11**

**DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

In this Exhibit 4.11, when we refer to "PNC", "we", "us", or "our" or when we otherwise refer to ourselves, we mean The PNC Financial Services Group, Inc., excluding, unless otherwise expressly stated or the context requires, our subsidiaries.

We have four classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Act"): (1) our Common Stock; (2) Depositary Shares Each Representing a 1/4,000 Interest in a Share of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series P; (3) Depositary Shares Each Representing a 1/4,000 Interest in a Share of 5.375% Non-Cumulative Perpetual Preferred Stock, Series Q; and, (4) $1.80 Cumulative Convertible Preferred Stock - Series B, par value $1.00.

## DESCRIPTION OF COMMON STOCK

### General

We are authorized to issue 800,000,000 shares of our common stock, par value $5.00 per share.

The following summary is not complete. You should refer to the applicable provisions of the following for a complete statement of the terms and rights of the common stock:

- Our Amended and Restated Articles of Incorporation (the "Articles of Incorporation"), which you can find as Exhibit 3.1 to our Annual Report on Form 10-K for the year ended December 31, 2008, including the statements with respect to shares pursuant to which certain outstanding series of preferred stock were issued,

- an amendment to our Articles of Incorporation, which you can find as Exhibit 3.1.6 to our Current Report on Form 8-K filed November 20, 2015,

- the statement with respect to shares governing our Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series O, which you can find as Exhibit 3.1 to our Current Report on Form 8-K filed July 27, 2011,

- the statement with respect to shares governing our Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series P, which you can find as Exhibit 3.1 to our Current Report on Form 8-K filed April 24, 2012,

- the statement with respect to shares governing our 5.375% Non-Cumulative Perpetual Preferred Stock, Series Q, which you can find as Exhibit 3.1 to our Current Report on Form 8-K filed September 21, 2012,

- the statement with respect to shares governing our Non-Cumulative Perpetual Preferred Stock, Series R, which you can find as Exhibit 3.1 to our Current Report on Form 8-K filed May 7, 2013,

- the statement with respect to shares governing our Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series S, which you can find as Exhibit 3.1 to our Current Report on Form 8-K filed November 1, 2016, and

- the Pennsylvania Business Corporation Law (the "PBCL").

Holders of common stock are entitled to one vote per share on all matters submitted to shareholders. Holders of common stock have neither cumulative voting rights nor any preemptive rights for the purchase of additional shares of any class of our stock, and are not subject to liability for further calls or assessments. The common stock does not have any sinking fund, conversion or redemption provisions.

In the event of dissolution or winding up of our affairs, holders of common stock will be entitled to share ratably in all assets remaining after payments to all creditors and payments required to be made in respect of outstanding preferred stock (including accrued and unpaid dividends thereon) have been made.

The Board may, except as otherwise required by applicable law or the rules of the NYSE, cause the issuance of authorized shares of common stock without shareholder approval to such persons and for such consideration as the Board may determine in connection with acquisitions by us or for other corporate purposes.

Computershare Trust Company, N.A., Canton, MA, is the transfer agent and registrar for our common stock. The shares of common stock are listed on the NYSE under the symbol "PNC." The outstanding shares of common stock are validly issued, fully paid and nonassessable, and the holders of the common stock are not subject to any liability as shareholders.

**Dividends and Other Payments**

Holders of our common stock are only entitled to receive such dividends as the Board may declare out of funds legally available for such payments. The payment of future dividends is subject to the discretion of the Board, which will consider, among other factors, economic and market conditions, our financial condition and operating results, and other factors, including contractual restrictions and applicable government regulations and policies (such as those relating to the ability of bank and non-bank subsidiaries to pay dividends to the parent company and regulatory capital limitations).

The amount of our dividends is also currently subject to the results of the supervisory assessment of capital adequacy and capital planning processes undertaken by the Board of Governors of the Federal Reserve System (the "Federal Reserve") and our primary bank regulators as part of the Federal Reserve's Comprehensive Capital Analysis and Review process. The Federal Reserve has the power to prohibit us from paying dividends without its approval.

We are incorporated in Pennsylvania and governed by the PBCL. Under the PBCL, we cannot pay dividends if, after giving effect to the dividend payments, we would be unable to pay our debts as they become due in the usual course of our business or our total assets would be less than the sum of our total liabilities plus the amount that would be needed, if we were to be dissolved at the time as of which the dividend is measured, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the dividends.

Subject to certain important exceptions, the terms of certain of our outstanding series of preferred stock and capital securities prohibit us from declaring or paying dividends or distributions on or redeeming, purchasing, acquiring or making a liquidation payment with respect to our common stock unless all accrued and unpaid dividends for all completed dividend periods with respect to that preferred stock or capital security, as applicable, have been paid.

In addition, we have outstanding junior subordinated debentures associated with certain capital securities. The terms of these debentures permit us to defer interest payments on the debentures for up to five years. If we defer interest payments on these debentures, subject to certain important exceptions, we may not declare or pay any dividends or distributions on, redeem, purchase, acquire or a make a liquidation payment with respect to any of our common stock during the deferral period.

Dividends from our subsidiary banks are the primary source of funds for payment of dividends to our stockholders, and there are statutory limits on the amount of dividends that our subsidiary banks can pay to us without regulatory approval. We are a holding company that conducts substantially all of our operations through our bank subsidiaries and other subsidiaries. As a result, our ability to make dividend payments on the common stock depends primarily on certain federal regulatory considerations and the receipt of dividends and other distributions from our subsidiaries. There are various regulatory restrictions on the ability of our banking subsidiaries to pay dividends or make other payments to us, and those restrictions can vary among the different subsidiaries based on performance, capital and other factors.

Further information concerning dividend restrictions and other factors that could limit our ability to pay dividends, including restrictions on loans, dividends or advances from bank subsidiaries to the parent company are included in our Annual Report on Form 10-K.

**Other Provisions**

The Articles of Incorporation and our Amended and Restated By-Laws (the "By-Laws") contain various provisions that may discourage or delay attempts to gain control of PNC. The By-Laws include provisions:

- authorizing the Board to fix the size of the Board between five and 36 directors,
- authorizing directors to fill vacancies on the Board occurring between annual shareholder meetings, including vacancies resulting from an increase in the number of directors,
- authorizing only the Board, the Chairman of the Board or the Chief Executive Officer to call a special meeting of shareholders,
- providing advance notice requirements for director nominations and business to be properly brought before a shareholder meeting, and
- authorizing a majority of the Board to alter, amend, add to or repeal the By-Laws.

The Articles of Incorporation vest the authority to make, amend and repeal the By-Laws in the Board, subject to the power of our shareholders to change any such action.

Provisions of Pennsylvania law also could make it more difficult for a third party to acquire control of PNC or have the effect of discouraging a third party from attempting to control PNC. The PBCL allows Pennsylvania corporations to elect to either be covered or not be covered by certain "anti-takeover" provisions. We have elected in the By-Laws not to be covered by Subchapter G of Chapter 25 of the PBCL, which would otherwise enable existing shareholders of PNC in certain circumstances to block the voting rights of an acquiring person who makes or proposes to make a control-share acquisition. We have also opted out of the protection of Subchapter H of Chapter 25 of the PBCL, which would otherwise enable us to recover certain payments made to shareholders who have evidenced an intent to acquire control of PNC. However, the following provisions of the PBCL do apply to us:

- shareholders are not entitled to call a special meeting (Section 2521),

- unless the Articles of Incorporation provide otherwise (which as of the date hereof they do not), action by shareholder consent must be unanimous (Section 2524),

- shareholders are not entitled to propose an amendment to the Articles of Incorporation (Section 2535),

- certain transactions with interested shareholders (such as mergers or sales of assets between PNC and a shareholder) where the interested shareholder is a party to the transaction or is treated differently from other shareholders require approval by a majority of the disinterested shareholders (Section 2538),

- a five-year moratorium exists on certain business combinations with a 20% or more shareholder (Sections 2551-2556), and

- shareholders have a right to "put" their shares to a 20% shareholder at a "fair value" for a reasonable period after the 20% stake is acquired (Sections 2541-2547).

In addition, in certain instances the ability of the Board to issue authorized but unissued shares of common stock and preferred stock may have an anti-takeover effect.

Existence of the above provisions could result in PNC being less attractive to a potential acquirer, or result in our shareholders receiving less for their shares of common stock than otherwise might be available if there is a takeover attempt.

The ability of a third party to acquire PNC is also limited under applicable banking regulations. The Bank Holding Company Act of 1956 (the "Bank Holding Company Act") requires any "bank holding company" (as defined in the Bank Holding Company Act) to obtain the approval of the Federal Reserve prior to acquiring more than 5% of our outstanding common stock. Any person other than a bank holding company is required to obtain prior approval of the Federal Reserve to acquire 10% or more of our outstanding common stock under the Change in Bank Control Act of 1978. Any holder of 25% or more of our outstanding common stock, other than an individual, is subject to regulation as a bank holding company under the Bank Holding Company Act. Furthermore, while we do not have a shareholder rights plan currently in effect, under Pennsylvania law, the Board can adopt a shareholder rights plan without stockholder approval. If adopted, a shareholder rights plan could result in substantial dilution to a person or group that attempts to acquire PNC on terms not approved by the Board.

## DESCRIPTION OF PREFERRED STOCK

### General

Our authorized capital stock includes 20,000,000 shares of preferred stock, par value $1.00 per share, as reflected in our Articles of Incorporation.

The following summary does not purport to be complete and is qualified in its entirety by reference to the pertinent sections of the Articles of Incorporation and any statements with respect to shares for any series of preferred stock. You should read the Articles of Incorporation, which includes the designations relating to each series of preferred stock.

We have six outstanding series of preferred stock:

- $1.80 Cumulative Convertible Preferred Stock, Series B, with a per share liquidation preference of $40.00 (“Series B Preferred Stock”) (38,542 authorized),

- Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series O, with a per share liquidation preference of $100,000 (“Series O Preferred Stock”) (10,000 authorized),

- Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series P, with a per share liquidation preference of $100,000 (“Series P Preferred Stock”) (15,750 authorized),

- 5.375% Non-Cumulative Perpetual Preferred Stock, Series Q, with a per share liquidation preference of $100,000 (“Series Q Preferred Stock”) (5,175 authorized),

- Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series R, with a per share liquidation preference of $100,000 (“Series R Preferred Stock”) (5,000 authorized), and

- Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series S, with a per share liquidation preference of $100,000 (“Series S Preferred Stock”) (5,250 authorized).

The following authorized and issued preferred stock has been redeemed and restored to the status of authorized but unissued preferred stock and is no longer outstanding:

- 98,583 shares of $1.80 Cumulative Convertible Preferred Stock, Series A ,

- 1,433,935 shares of $1.60 Cumulative Convertible Preferred Stock, Series C,

- 1,766,140 shares of $1.80 Cumulative Convertible Preferred Stock, Series D,

- 338,100 shares of $2.60 Cumulative Nonvoting Preferred Stock, Series E,

- 6,000,000 shares of Fixed/Adjustable Rate Noncumulative Preferred Stock, Series F,

- 50,000 shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series K,

- 1,500 shares of 9.875% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series L, and

- 5,001 shares of Non-Cumulative Perpetual Preferred Stock, Series M.

The Board is authorized without further shareholder action to cause the issuance of additional shares of preferred stock in one or more series, each with the preferences, limitations, designations, conversion or exchange rights, voting rights, dividend rights, redemption provisions, voluntary and involuntary liquidation rights and other rights as the Board may determine at the time of issuance.

The rights of the holders of our common stock are subject to any rights and preferences of the outstanding series of preferred stock and the preferred stock that may be offered. In addition, the rights of the holders of our

common stock and any outstanding series of our preferred stock would be subject to the rights and preferences of any additional shares of preferred stock, or any series thereof, which might be issued in the future.

**Summary of Key Terms of Outstanding Preferred Stock**

The following is a summary of certain terms of our outstanding preferred stock. To the extent not included in the table, we have also described certain aspects of our outstanding preferred stock below.

| Preferred Series | Annual Dividend Rate | Cumulative Dividend | Conversion Rate | Voting Right (Based on Conversion Rate) | Liquidation Value per Share | Redeemable |
|---|---|---|---|---|---|---|
| B | $1.80 | Yes | 1 preferred: 8 common | Yes | $ 40 | No |
| O | (1) | No | None | (1) | $ 100,000 | (1) |
| P | (1) | No | None | (1) | $ 100,000 | (1) |
| Q | (1) | No | None | (1) | $ 100,000 | (1) |
| R | (1) | No | None | (1) | $ 100,000 | (1) |
| S | (1) | No | None | (1) | $ 100,000 | (1) |

(1) See discussion of particular terms for this series of preferred stock below.

Computershare Trust Company, N.A., Canton, MA, is the transfer agent and registrar for the outstanding preferred stock. Series B Preferred Stock is currently traded in the over-the-counter market. The Series O, Series R and Series S Preferred Stock are currently traded in the over-the-counter market. The Series P Preferred Stock and Series Q Preferred Stock are listed on the NYSE under the symbols “PNCPRP” and “PNCPRQ,” respectively. The outstanding preferred stock is fully paid and nonassessable. Holders of the outstanding preferred stock have no preemptive rights to subscribe for any additional securities that may be issued by us.

Because we are a holding company, our rights and the rights of holders of our securities, including the holders of preferred stock, to participate in the assets of any PNC subsidiary upon its liquidation or recapitalization will be subject to the prior claims of such subsidiary’s creditors and preferred shareholders, except to the extent we may be a creditor with recognized claims against such subsidiary or a holder of preferred shares of such subsidiary.

We have elected to offer depositary shares evidenced by depositary receipts for our Series O, Series P, Series Q, Series R and Series S Preferred Stock. Each depositary share represents a fractional interest (as specified in the prospectus supplement relating to the particular series of preferred stock) in a share of a particular series of preferred stock issued and deposited with a depositary (as defined below). For a further description of the depositary shares, you should read “*Description of Depositary Shares*” below.

***Dividends and Other Payments***

The holders of the outstanding preferred stock are entitled to receive dividends, if declared by the Board or a duly authorized committee thereof. We will pay dividends to the holders of record as they appear on our stock books on the record dates fixed by the Board or a duly authorized committee thereof.

All series of preferred stock, with respect to the priority of payment of dividends, rank senior to all classes of common stock and any class of preferred stock we issue that specifically provides that it will rank junior to such preferred stock in respect to dividends, whether or not the preferred stock is designated as cumulative or noncumulative. The Board will not declare and pay a dividend on our common stock or on any class or series of our

stock ranking subordinate as to dividends to a series of preferred stock (other than dividends payable in our common stock or in any class or series of our stock ranking subordinate as to dividends and assets to such series), until we have paid in full dividends for all past dividend periods on all outstanding senior ranking cumulative preferred stock and have declared a current dividend on all preferred stock ranking senior to that series. If we do not pay in full dividends for any dividend period on all shares of preferred stock ranking equally as to dividends, all such shares will participate ratably in the payment of dividends for that period in proportion to the full amounts of dividends to which they are entitled.

Subject to certain important exceptions, the terms of certain of our outstanding series of capital securities prohibit us from paying dividends on or redeeming, purchasing, acquiring or making a liquidation payment with respect to our preferred stock unless all accrued and unpaid dividends for all completed dividend periods with respect to such capital security have been paid.

In addition, we have outstanding junior subordinated debentures associated with certain capital securities. The terms of these debentures permit us to defer interest payments on the debentures for up to five years. If we defer interest payments on these debentures, subject to certain important exceptions, we may not pay any dividends on, redeem, purchase, acquire or make a liquidation payment with respect to any of our preferred stock during the deferral period.

Dividends from our subsidiary banks are the primary source of funds for payment of dividends to holders of preferred stock, and there are statutory limits on the amount of dividends that our subsidiary banks can pay to us without regulatory approval. We are a holding company that conducts substantially all of our operations through our bank subsidiaries and other subsidiaries. As a result, our ability to make dividend payments on the preferred stock depends on the receipt of dividends and other distributions from our subsidiaries. There are various regulatory restrictions on the ability of our banking subsidiaries to pay dividends or make other payments to us, and those restrictions can vary among the different subsidiaries based on performance, capital and other factors.

*Series B Preferred Stock Dividends*. Holders of outstanding Series B Preferred Stock are entitled to cumulative dividends at the annual rate set forth above in the table titled "Summary of Certain Key Terms of Preferred Stock," which are payable quarterly when and as declared by the Board.

*Series O, Series P, Series Q, Series R and Series S Preferred Stock Dividends*. Dividends on shares of the Series O, Series P, Series Q, Series R and S Preferred Stock are not mandatory. Holders of such series of preferred stock are entitled to receive, when, as, and if declared by the Board or a duly authorized committee thereof, out of assets legally available for the payment of dividends under Pennsylvania law, non-cumulative cash dividends based on the liquidation preference of such series of preferred stock at a rate equal to:

- In the case of the Series O Preferred Stock, 6.75% per annum for each semi-annual dividend period from the issue date of the depositary shares to, but excluding, August 1, 2021, payable in arrears on February 1 and August 1 of each year, and three-month LIBOR plus a spread of 3.678% per annum, for each quarterly dividend period from August 1, 2021 through the redemption date of the Series O Preferred Stock, if any, payable in arrears on February 1, May 1, August 1 and November 1 of each year.

- In the case of the Series P Preferred Stock, 6.125% per annum for each quarterly dividend period from the issue date of the depositary shares to, but excluding, May 1, 2022, and three-month LIBOR plus a spread of 4.0675% per annum, for each quarterly dividend period from May 1, 2022 through the redemption date of the Series P Preferred Stock, if any, payable in arrears on February 1, May 1, August 1 and November 1 of each year.

- In the case of Series Q Preferred Stock, 5.375% per annum for each quarterly dividend period from the issue date of the depositary shares to the redemption date of the Series Q Preferred Stock, if any, payable in arrears on March 1, June 1, September 1 and December 1 of each year.

- In the case of the Series R Preferred Stock, 4.850% per annum for each semi-annual dividend period from the issue date of the depositary shares to, but excluding, June 1, 2023, payable in arrears on June 1 and December 1 of each year, and three-month LIBOR plus a spread of 3.04% per annum, for each quarterly dividend period from June 1, 2023 through the redemption date of the Series R Preferred Stock, if any, payable in arrears on March 1, June 1, September 1 and December 1 of each year.

- In the case of the Series S Preferred Stock, 5.000% per annum for each semi-annual dividend period from the issue date of the depositary shares to, but excluding, November 1, 2026, payable in arrears on May 1 and November 1 of each year, and three-month LIBOR plus a spread of 3.30% per annum, for each quarterly dividend period from November 1, 2026 through the redemption date of the Series S Preferred Stock, if any, payable in arrears on February 1, May 1, August 1 and November 1 of each year.

In the event we issue additional shares of any such series of preferred stock after the original issue date, dividends on such shares will accrue from the original issue date of such additional shares.

A dividend period for any such series of preferred stock is the period from and including a dividend payment date to, but excluding, the next dividend payment date. Dividends payable on any such series of preferred stock for the period in which the interest rate is fixed are computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends payable on any such series of preferred stock for any period in which the interest rate is based on three-month LIBOR will be computed based on the actual number of days in a dividend period and a 360-day year. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upward. Dividends on any such series of preferred stock will cease to accrue on the redemption date, if any, as described below under "*Redemption by PNC*," unless we default in the payment of the redemption price of the shares called for redemption.

Dividends on shares of Series O, Series P, Series Q, Series R and Series S Preferred Stock are not cumulative. Accordingly, if the Board or a duly authorized committee thereof does not declare a dividend payable in respect of any dividend period before the related dividend payment date, such dividend will not accrue and we will have no obligation to pay a dividend for that dividend period on the dividend payment date or at any future time, whether or not dividends on such series of preferred stock are declared for any future dividend period.

During a dividend period with respect to each of the Series O, Series P, Series Q, Series R and Series S Preferred Stock, so long as any share of such series remains outstanding, (i) no dividend will be declared or paid or set aside for payment and no distribution will be declared or made or set aside for payment on any junior stock (other than (a) a dividend payable solely in such junior stock or (b) any dividend in connection with the implementation of a shareholders' rights plan, or the redemption or repurchase of any rights under any such plan), (ii) no shares of junior stock will be repurchased, redeemed or otherwise acquired for consideration by us (other than (a) as a result of a reclassification of such junior stock for or into other such junior stock, (b the exchange or conversion of one share of such junior stock for or into another share of such junior stock, (c) through the use of the proceeds of a substantially contemporaneous sale of other shares of such junior stock, (d) purchases, redemptions or other acquisitions of shares of such junior stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors or consultants, (e) purchases of shares of such junior stock pursuant to a contractually binding requirement to buy such junior stock existing prior to the preceding dividend period, including under a contractually binding stock repurchase plan, or (f) the purchase of fractional interests in shares of such junior stock pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged), nor will any monies be paid to or made available for a sinking fund for the redemption of any such securities by us and (iii) no shares of parity stock will be repurchased, redeemed or otherwise acquired for consideration by us otherwise than pursuant to pro rata offers to purchase all, or a pro rata portion, of the applicable series of preferred stock and such parity stock except by conversion into or exchange for junior stock, unless, in each case of clause (i) through (iii) above, the full dividends for the preceding dividend period on all outstanding shares of Series O, Series P, Series Q, Series R or Series S Preferred Stock, as applicable, have been declared and paid or declared and a sum sufficient for the payment thereof has been set aside.

As used in this description, (i) "junior stock" means our common stock and any other class or series of our stock hereafter authorized over which the Series O, Series P, Series Q, Series R or Series S Preferred Stock, as applicable, has preference or priority in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of PNC and (ii) "parity stock" means any other class or series of our stock that ranks on parity with the Series O, Series P, Series Q, Series R or Series S Preferred Stock, as applicable, in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of PNC. The following series of preferred stock are considered parity stock: Series B, Series O, Series P, Series Q, Series R and Series S Preferred Stock, and Series H and Series I Preferred Stock, if issued.

When dividends are not paid in full upon the shares of Series O, Series P, Series Q, Series R or Series S Preferred Stock, as applicable, and any parity stock, all dividends declared upon shares of such series of preferred stock and any parity stock will be declared on a proportional basis so that the amount of dividends declared per share will bear to each other the same ratio that accrued dividends for such series of preferred stock, and accrued dividends, including any accumulations, on any parity stock, bear to each other for the then-current dividend period.

Dividends on the Series Q, Series R and Series S Preferred Stock will not be declared, paid or set aside for payment to the extent such act would cause us to fail to comply with the laws and regulations applicable to us, including applicable capital adequacy guidelines.

Subject to the foregoing, and not otherwise, dividends (payable in cash, stock or otherwise), as may be determined by the Board or a duly authorized committee thereof, may be declared and paid on our common stock and any other stock ranking equally with or junior to any of the Series O, Series P, Series Q, Series R or Series S Preferred Stock from time to time out of any assets legally available for such payment, and the holders of Series O, Series P, Series Q, Series R and Series S Preferred Stock shall not be entitled to participate in any such dividend.

***Voting***

Except as provided herein or in the applicable statement with respect to shares, or as required by applicable law, the holders of preferred stock are not be entitled to vote. Except as otherwise required by law or provided by the Board and described in the applicable statement with respect to shares, holders of preferred stock having voting rights and holders of common stock vote together as one class. Holders of preferred stock do not have cumulative voting rights. We are not required to obtain any consent of the holders of preferred stock of a given series in connection with the authorization, designation, increase or issuance of any shares of preferred stock that rank junior or equal to the preferred stock of such series with respect to dividends and liquidation rights.

*Right to Elect Two Directors upon Nonpayment of Dividends.* If we have failed to pay, or declare and set apart for payment, dividends on all outstanding shares of preferred stock in an amount that equals six quarterly dividends at the applicable dividend rate for such preferred stock, whether or not cumulative, then the number of directors on the Board will be increased by two at the first annual meeting of shareholders held thereafter, and at such meeting and each subsequent annual meeting held until cumulative dividends payable for all past dividend periods and continuous noncumulative dividends for at least one year on all outstanding shares of preferred stock entitled thereto shall have been paid, or declared and set apart for payment, in full, the holders of all outstanding preferred stock voting together as a class will be entitled to elect those two additional directors to hold office for a term of one year. Upon such payment, or declaration and setting apart for payment, in full, the terms of the two additional directors will end, the number of directors on the Board will be reduced by two and such voting rights of the holders of preferred stock will end, subject to an increase in the number of directors on the Board as described above and the revesting of this voting right in the event of each and every additional failure in the payment of dividends in an amount equal to six quarterly dividends as described above.

Under interpretations adopted by the Federal Reserve or its staff, if the holders of preferred stock of any series become entitled to vote for the election of directors because dividends on such series are in arrears as described above, that series may then be deemed a "class of voting securities" and a holder of 25% or more of such series (or a holder of 5% or more if it otherwise exercises a "controlling influence" over PNC) may then be subject to regulation

as a bank holding company in accordance with the Bank Holding Company Act. In addition, when the series is deemed a class of voting securities, any other bank holding company may be required to obtain the prior approval of the Federal Reserve to acquire more than 5% of that series, and any person other than a bank holding company may be required to obtain the prior approval of the Federal Reserve to acquire 10% or more of that series.

*Voting Rights under Pennsylvania Law.* The PBCL attaches mandatory voting rights to preferred stock in connection with certain amendments to a company's articles of incorporation, providing that the holders of preferred stock of a particular series would be entitled to vote as a class if the amendment would:

- authorize the Board to fix and determine the relative rights and preferences, as between series, of any preferred or special class,

- make any change in the preferences, limitations or special rights (other than preemptive rights or the right to vote cumulatively) of the shares of a class or series adverse to the class or series,

- authorize a new class or series of shares having a preference as to dividends or assets which is senior to the shares of a class or series,

- increase the number of authorized shares of any class or series having a preference as to dividends or assets which is senior in any respect to the shares of a class or series, or

- make the outstanding shares of a class or series redeemable by a method that is not pro rata, by lot or otherwise equitable.

Holders of outstanding shares of preferred stock are also entitled under Pennsylvania law to vote as a class on a plan of merger that effects any change in the company's articles of incorporation if the holders would have been entitled to a class vote under the statutory provision relating to the adoption of articles amendments discussed above.

*Series B Preferred Stock Voting*. Holders of outstanding Series B Preferred Stock are entitled to a number of votes equal to the number of full shares of common stock into which their preferred stock is convertible. Unless we receive the consent of the holders of at least two-thirds of the outstanding shares of preferred stock of all series, we will not:

- create or increase the authorized number of shares of any class of stock ranking senior to the preferred stock as to dividends or assets, or

- change the preferences, qualifications, privileges, limitations, restrictions or special or relative rights of the preferred stock in any material respect adverse to the holders of the preferred stock.

*Series O, Series P, Series Q, Series R and Series S Preferred Stock Voting.* Except as described above or otherwise herein or in the applicable statement with respect to shares, or as required by applicable law, holders of the Series O, Series P, Series Q, Series R and Series S Preferred Stock have no voting rights.

So long as any shares of the Series O, Series P, Series Q, Series R or Series S Preferred Stock, as applicable, remain outstanding, the affirmative vote or consent of the holders of at least two-thirds of all outstanding shares of the series, voting separately as a class, shall be required to:

- authorize or increase the authorized amount of, or issue shares of, any class or series of stock ranking senior to such series of preferred stock with respect to dividends or the distribution of assets upon liquidation, dissolutions or winding up of PNC,

- issue any obligation or security convertible into or evidencing the right to purchase any class or series of stock ranking senior to such series of preferred stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up of PNC,

- amend the provisions of the Articles of Incorporation so as to adversely affect the powers, preferences, privileges or rights of such series of preferred stock, taken as a whole, or

- consolidate with or merge into any other corporation unless the shares of such series of preferred stock outstanding at the time of such consolidation or merger or sale are converted into or exchanged for preference securities having such rights, privileges and voting powers, taken as a whole, as are not materially less favorable to the holders thereof than the rights, preferences, privileges and voting powers of such series of preferred stock, taken as a whole.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series O, Series P, Series Q, Series R or Series S Preferred Stock, as applicable, have been redeemed or called for redemption upon proper notice and sufficient funds shall have been set aside by us for the benefit of the holders of such series of preferred stock to effect such redemption.

***Liquidation of PNC***

In the event of the voluntary or involuntary liquidation of PNC, the holders of each outstanding series of preferred stock will be entitled to receive liquidating distributions before any distribution is made to the holders of our common stock or of any class or series of our stock ranking subordinate to that series, in the amount fixed by the Board for that series and described in the applicable statement with respect to shares, plus, if dividends on that series are cumulative, accrued and unpaid dividends.

Subject to certain important exceptions, the terms of certain of our outstanding capital securities prohibit us from making a liquidation payment with respect to our preferred stock unless all accrued and unpaid dividends for all completed dividend periods with respect to that capital security have been paid.

In addition, we have outstanding junior subordinated debentures associated with certain capital securities. The terms of these debentures permit us to defer interest payments on the debentures for up to five years. If we defer interest payments on these debentures, subject to certain important exceptions, we may not make a liquidation payment with respect to any of our preferred stock during the deferral period.

***Redemption by PNC***

Subject to certain important exceptions, the terms of certain of our outstanding capital securities prohibit us from redeeming our preferred stock unless all accrued and unpaid dividends for all completed dividend periods with respect to that capital security have been paid.

In addition, we have outstanding junior subordinated debentures associated with certain capital securities. The terms of these debentures permit us to defer interest payments on the debentures for up to five years. If we defer interest payments on these debentures, subject to certain important exceptions, we may not redeem any of our preferred stock during the deferral period.

Redemption of preferred stock is generally subject to prior regulatory approval.

*Series B Preferred Stock Redemption*. The Series B Preferred Stock are not currently redeemable nor entitled to the benefit of any retirement or sinking fund to be applied to the purchase or redemption of such shares.

*Series O, Series P, Series Q, Series R and Series S Preferred Stock Redemption*. The Series O, Series P, Series Q, Series R and Series S Preferred Stock are not subject to any mandatory redemption, sinking fund or other similar provisions, and the holders of such series of preferred stock have no right to require the redemption or repurchase of such series of preferred stock (or any depositary shares representing such series of preferred stock).

The Series O Preferred Stock is redeemable at our option, in whole or part, on any dividend payment date on or after August 1, 2021, at a redemption price equal to $100,000 per share (equivalent to $1,000 per depositary share), plus any declared and unpaid dividends, without accumulation of any undeclared dividends.

The Series P Preferred Stock is redeemable at our option, in whole or in part, from time to time, on any dividend payment date on or after May 1, 2022, at a redemption price equal to $100,000 per share (equivalent to $25.00 per depositary share), plus any declared and unpaid dividends, without accumulation of any undeclared dividends.

The Series Q Preferred Stock is currently redeemable at our option, in whole or in part, from time to time, on any dividend payment date, at a redemption price equal to $100,000 per share (equivalent to $25.00 per depositary share), plus any declared and unpaid dividends, without accumulation of any undeclared dividends.

The Series R Preferred Stock is redeemable at our option, in whole or in part, from time to time, on any dividend payment date on or after June 1, 2023, at a redemption price equal to $100,000 per share (equivalent to $1,000 per depositary share), plus any declared and unpaid dividends, without accumulation of any undeclared dividends.

The Series S Preferred Stock is redeemable at our option, in whole or in part, from time to time, on any dividend payment date on or after November 1, 2026, at a redemption price equal to $100,000 per share (equivalent to $1,000 per depositary share), plus any declared and unpaid dividends, without accumulation of any undeclared dividends.

We may redeem shares of the Series O, Series P, Series Q, Series R or Series S Preferred Stock at any time within 90 days following the occurrence of a regulatory capital treatment event (as defined below), in whole but not part, at a redemption price equal to $100,000 per share of preferred stock (equivalent to $1,000 per depositary share in the case of the Series O, Series R and Series S Preferred Stock and $25.00 per depositary share in the case of the Series P and Series Q Preferred Stock), plus any declared and unpaid dividends and any accrued and unpaid dividends on the shares of preferred stock called for redemption up to the redemption date. A "regulatory capital treatment event" means the good faith determination by us that, as a result of (i) any amendment to, or change in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of any share of the applicable series of preferred stock; (ii) any proposed change in those laws or regulations that is announced after the initial issuance of any share of the applicable series of preferred stock; or (iii) any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after the initial issuance of any share of the applicable series of preferred stock, there is more than an insubstantial risk that we will not be entitled to treat the full liquidation value of the shares of the applicable series of preferred stock then outstanding as "Tier 1 capital" (or its equivalent) for purposes of the regulatory capital rules of the Federal Reserve (or, as and if applicable, the regulatory capital regulations of any successor appropriate federal banking agency), as then in effect and applicable, for as long as any share of the applicable series of preferred stock is outstanding.

Redemption of the Series O, Series P, Series Q, Series R or Series S Preferred Stock, as applicable, is subject to our receipt of any required prior approvals from the Federal Reserve and to the satisfaction of any conditions set forth in the capital guidelines of the Federal Reserve applicable to the redemption of such series of preferred stock.

***Conversion***

*Series B Preferred Stock*. Holders of outstanding Series B Preferred Stock currently are entitled to the conversion privileges set forth above in the table titled "Summary of Certain Key Terms of Preferred Stock." Series B Preferred Stock is convertible into our common stock (unless called for redemption and not converted within the time allowed therefor) at any time at the option of the holder. No adjustment will be made for dividends on preferred stock converted or on common stock issuable upon conversion. The conversion rate of Series B Preferred Stock will be adjusted in certain events, including payment of stock dividends on, or splits or combinations of, the common stock or issuance to holders of common stock of rights to purchase common stock at a price per share less than 90% of current market price as defined in the Articles of Incorporation. Appropriate adjustments in the conversion provisions also will be made in the event of certain reclassifications, consolidations or mergers or the sale of substantially all of the assets of PNC.

*Series O, Series P, Series Q, Series R and Series S Preferred Stock Conversion*. The Series O, Series P, Series Q, Series R and Series S Preferred Stock are not currently entitled to any conversion privileges.

## DESCRIPTION OF DEPOSITARY SHARES

We have elected to offer fractional interests in the Series O, Series P, Series Q, Series R and Series S Preferred Stock, rather than whole shares of preferred stock as follows:

- Depositary Shares, each representing a 1/100 interest in a share of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series O,
- Depositary Shares Each Representing a 1/4,000 interest in a Share of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series P,
- Depositary Shares Each Representing a 1/4,000 interest in a Share of 5.375% Non-Cumulative Perpetual Preferred Stock, Series Q,
- Depositary Shares, each representing a 1/100 interest in a share of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series R, and
- Depositary Shares, each representing a 1/100 interest in a share of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series S.

We have provided for the issuance by a depositary to the public of receipts for depositary shares, and each of these depositary shares represents a fraction of a share of a particular series of preferred stock.

The shares of any series of preferred stock underlying the depositary shares are deposited under a deposit agreement between us and a depositary selected by us. The depositary is a bank or trust company and will have its principal office in the United States and a combined capital and surplus of at least $50,000,000. The prospectus supplement relating to a series of depositary shares will set forth the name and address of the depositary. Subject to the terms of the deposit agreement, each owner of a depositary share will be entitled, in proportion to the applicable fractional interest in a share of preferred stock underlying that depositary share, to all the rights and preferences of the preferred stock underlying that depositary share. Those rights include dividend, voting, redemption, conversion and liquidation rights.

The depositary shares are evidenced by depositary receipts issued under the deposit agreement.

**Dividends and Other Distributions**

The depositary will distribute all cash dividends or other cash distributions received in respect of the preferred stock to the record holders of related depositary shares in proportion to the number of depositary shares owned by those holders.

If we make a distribution other than in cash, the depositary will distribute property received by it to the record holders of depositary shares that are entitled to receive the distribution, unless the depositary determines that it is not feasible to make the distribution. If this occurs, the depositary may, with our approval, sell the property and distribute the net proceeds from the sale to the applicable holders.

**Redemption of Depositary Shares**

Whenever we redeem shares of preferred stock that are held by the depositary, the depositary will redeem, as of the same redemption date, the number of depositary shares representing the shares of preferred stock so redeemed. The redemption price per depositary share will be equal to the applicable fraction of the redemption price per share payable with respect to that series of preferred stock. If fewer than all the depositary shares are to be redeemed, the depositary will select the depositary shares to be redeemed by lot or pro rata as may be determined by the depositary.

Depositary shares called for redemption will no longer be outstanding after the applicable redemption date, and all rights of the holders of these depositary shares will cease, except the right to receive any money or other property upon surrender to the depositary of the depositary receipts evidencing those depositary shares.

**Voting the Preferred Stock**

Upon receipt of notice of any meeting at which the holders of preferred stock are entitled to vote, the depositary will mail the information contained in the notice of meeting to the record holders of depositary shares representing shares of such preferred stock. Each record holder of those depositary shares on the record date (which will be the same date as the record date for the preferred stock) will be entitled to instruct the depositary as to the exercise of the voting rights pertaining to the amount of preferred stock underlying that holder's depositary shares. The depositary will try, insofar as practicable, to vote the number of shares of preferred stock underlying those depositary shares in accordance with those instructions, and we will agree to take all action which the depositary deems necessary in order to enable the depositary to do so. The depositary will not vote the shares of preferred stock to the extent it does not receive specific instructions from the holders of depositary shares representing shares of such preferred stock.

**Conversion of Preferred Stock**

If a series of the preferred stock underlying the depositary shares is convertible into shares of our common stock or any other class of our capital securities, we will accept the delivery of depositary receipts to convert the preferred stock using the same procedures as those for delivery of certificates for the preferred stock. If the depositary shares represented by a depositary receipt are to be converted in part only, the depositary will issue a new depositary receipt or depositary receipts for the depositary shares that are not converted.

**Amendment and Termination of the Deposit Agreement**

We and the depositary may amend the form of depositary receipt evidencing the depositary shares and any provision of the deposit agreement at any time. However, any amendment that materially and adversely alters the rights of the holders of depositary shares will not be effective unless the amendment has been approved by the holders of at least a majority of the depositary shares then outstanding. We or the depositary may terminate the deposit agreement only if (i) all outstanding depositary shares have been redeemed or (ii) there has been a final distribution of the underlying preferred stock in connection with any liquidation, dissolution or winding up of PNC.

**Charges of Depositary**

We will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. We will also pay charges of the depositary in connection with the initial deposit of the preferred stock and any redemption of the preferred stock. Holders of depositary shares will pay other transfer and

other taxes and governmental charges and such other charges as are expressly provided in the deposit agreement to be for their accounts.

**Resignation and Removal of Depositary**

The depositary may resign at any time by delivering to us notice of its election to do so, and we may remove the depositary at any time. Any such resignation or removal will take effect only upon the appointment of a successor depositary and its acceptance of its appointment. The successor depositary must be a bank or trust company having its principal office in the United States and having a combined capital and surplus of at least $50,000,000.

**Miscellaneous**

The depositary will forward to the holders of depositary shares all reports and communications that we deliver to the depositary and that we are required to furnish to the holders of the preferred stock.

Neither we nor the depositary will be liable if we are prevented or delayed by law or any circumstance beyond our control in performing our obligations under the deposit agreement. Our obligations and the obligations of the depositary under the deposit agreement will be limited to performance in good faith of our respective duties under the deposit agreement. Neither we nor the depositary will be obligated to prosecute or defend any legal proceeding relating to any depositary shares or preferred stock unless satisfactory indemnity is furnished. Both we and the depositary may rely upon written advice of counsel or accountants, or upon information provided by holders of depositary shares or other persons we believe to be competent, and on documents we believe to be genuine. The depositary may also rely on information provided by us.

**EXHIBIT 10.6.3**

# THE PNC FINANCIAL SERVICES GROUP, INC. AND AFFILIATES DEFERRED COMPENSATION AND INCENTIVE PLAN

**(amended and restated effective as of January 1, 2020)**

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**THE PNC FINANCIAL SERVICES GROUP, INC. AND AFFILIATES**
**DEFERRED COMPENSATION AND INCENTIVE PLAN**

**(amended and restated effective as of January 1, 2020)**

WHEREAS, The PNC Financial Services Group, Inc. (the "Corporation") and certain of its Affiliates previously adopted The PNC Financial Services Group, Inc. and Affiliates Deferred Compensation and Incentive Plan (the "Plan"), effective January 1, 2012, and most recently amended and restated the Plan effective January 1, 2017;

WHEREAS, the Plan is intended to be an unfunded nonqualified deferred compensation plan that is a "top-hat plan" within the meaning of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, under which a select group of management or highly compensated employees have the opportunity to defer receipt of eligible base salary and variable pay that is earned during an applicable Plan Year; and

WHEREAS, the Corporation now wishes to amend and restate the Plan to incorporate prior amendments and to make certain other clarifying changes.

NOW, THEREFORE, in consideration of the foregoing, the Plan is hereby amended and restated, effective January 1, 2020, to read as follows:

**SECTION 1**

## DEFINITIONS

1.1 **"Account" means the bookkeeping account established for each Participant who is entitled to a benefit under the Plan. An Account is established only for purposes of determining the amount of benefits hereunder and not to segregate assets or to identify assets that may or must be used to satisfy benefits. An Account will be credited with Deferral Amounts set forth in Section 3 of the Plan, Special Initiative Payments that are deferred as set forth in Appendix A of the Plan, and Earnings under Section 5 of the Plan. The Participant's Account may be administratively segregated into one or more subaccounts to reflect benefits that are payable at different times and in different forms. As used herein, the term "Account" may refer to a subaccount as the context so requires.**

1.2 **"Active Employee" means an Employee who is actively employed by an Employer. By way of example, and not limitation, an Employee is not actively employed by an Employer if the Employee is absent from work due to a leave of absence, short-term or long-term disability, or displacement. Active Employee does not include (i) leased employees (which, in accordance with Internal Revenue Code Section 414(n), means any person, other than an employee of the recipient, who, pursuant to an agreement between the recipient and any other person, has performed services for the recipient, or for the recipient and related persons determined in accordance with Internal Revenue Code Section 414(n)(6), on a substantially full-time basis for a period of at least one year, and such services are performed under the primary direction or control of the recipient); (ii) interns; (iii) temporary employees or employees who are reclassified from another classification to temporary employees; (iv) employees who are not paid through the Corporation's primary payroll system; and (v) employees with no U.S. source income. The decision as to whether an Employee is an Active Employee shall be made by the Plan Manager in his or her sole discretion.**

1.3 **"Administrative Committee" means The PNC Financial Services Group, Inc. Administrative Committee or such other committee that is appointed to administer the ISP.**

1.4 **"Affiliate" means any business entity whose relationship with the Corporation is as described in Subsection (b), (c) or (m) of Internal Revenue Code Section 414.**

1.5 **"Annualized Base Salary" means an Employee's Base Salary on an annualized basis as reflected on the Employer's payroll records. For purposes of determining an Employee's Base Salary in connection with this Section 1.5, the term "Participant" in Section 1.6 shall mean "Employee."**

1.6 **"Base Salary" means the salary or other non-variable pay received by a Participant for personal services actually rendered in the course of employment with an**

**Employer during a Plan Year to the extent that the amounts are includible in gross income or would have been includible in gross income but for an election under Internal Revenue Code Section 125, 132(f)(4), 402(e)(3) or 402(h) or any deferral election into a qualified or nonqualified plan, including, without limitation, the ISP. Base Salary does not include: (i) amounts that are not processed through the Corporation's primary payroll system; (ii) Short-Term Incentive Pay or other cash or non-cash incentive compensation amounts or commissions; (iii) amounts received by the Participant from a third-party, including, without limitation, amounts received by the Participant pursuant to an insurance program, plan or policy; (iv) severance pay or any other amounts received by the Participant after the Participant's Severance From Service but only to the extent that such amounts are not attributable to services rendered by the Participant prior to the Severance From Service; and (v) amounts paid as gross-up payments.**

1.7 **"Beneficiary" or "Beneficiaries" means the individual or individuals designated by a Participant to receive the balance of the Participant's Account upon the Participant's death in accordance with Section 6 of the Plan.**

1.8 **"Board" means the Board of Directors of the Corporation.**

1.9 **"Change in Control" means a change of control of the Corporation of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Exchange Act, whether or not the Corporation is then subject to such reporting requirement; provided, however, that, without limitation, a Change in Control will be deemed to have occurred if:**

(a) **any Person, excluding employee benefits plans of the Corporation and its subsidiaries, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act or any successor provisions thereto), directly or indirectly, of securities of the Corporation representing 20% or more of the combined voting power of the Corporation's then-outstanding securities; provided, however, that such an acquisition of beneficial ownership representing between 20% and 40%, inclusive, of such voting power will not be considered a Change in Control if the Board approves such acquisition either prior to or immediately after its occurrence;**

(b) **the Corporation consummates a merger, consolidation, share exchange, division or other reorganization or transaction of the Corporation (a "Fundamental Transaction") with any other corporation, other than a Fundamental Transaction that results in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 60% of the combined voting power immediately after such Fundamental Transaction of (i) the Corporation's outstanding securities, (ii) the surviving entity's outstanding securities, or (iii)**

**in the case of a division, the outstanding securities of each entity resulting from the division;**

(c) **the shareholders of the Corporation approve a plan of complete liquidation or winding-up of the Corporation or an agreement for the sale or disposition (in one transaction or a series of transactions) of all or substantially all of the Corporation's assets;**

(d) **as a result of a proxy contest, individuals who, prior to the conclusion thereof, constituted the Board (including, for this purpose, any new director whose election or nomination for election by the Corporation's shareholders in connection with such proxy contest was approved by a vote of at least two-thirds of the directors then still in office who were directors prior to such proxy contest) cease to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied);**

(e) **during any period of 24 consecutive months, individuals who, at the beginning of such period, constituted the Board (including, for this purpose, any new director whose election or nomination for election by the Corporation's shareholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period) cease, for any reason, to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); or**

(f) **the Board determines that a Change in Control has occurred.**

Notwithstanding anything to the contrary herein, a divestiture or spin-off of a subsidiary or division of the Corporation will not by itself constitute a Change in Control.

1.10 **"Committee" means the Personnel and Compensation Committee of the Board.**

1.11 **"Compensation Threshold" for a Plan Year means the amount of compensation designated by the Internal Revenue Service under Internal Revenue Code Section 416(i)(l)(A)(i) for the calendar year that includes the Eligibility Determination Date.**

1.12 **"Corporate Executive Group" means the group designated as such by the Corporation (or any successor group thereto).**

1.13 **"Corporation" means The PNC Financial Services Group, Inc. and any successors thereto.**

1.14 **"DCP" means The PNC Financial Services Group, Inc. and Affiliates Deferred Compensation Plan, adopted as of November 21, 1996, as amended from time to time.**

1.15 **"Deferral Amount" means the amount credited to the Participant's Account in accordance with the Participant's Deferral Election and, except for purposes of Sections 1.16, 1.20, 1.46, 3 and 4, the Participant's Special Incentive Deferral Election (as defined in Appendix A). The term "Deferral Amount" will not include Earnings.**

1.16 **"Deferral Election" means a Participant's irrevocable election to defer a whole percentage of his or her Base Salary or Eligible Short-Term Incentive Pay earned during a Plan Year and otherwise payable to the Participant by timely delivery to the Plan Manager of a Deferral Election Form. Deferral Elections shall be calculated with respect to the gross cash Base Salary or Eligible Short-Term Incentive Pay payable to the Participant prior to any deductions or withholdings, but shall be reduced by the Committee or its delegate to the extent necessary so that Deferral Elections do not exceed 100% of the cash amounts payable to the Participant after deduction of all required income and employment taxes and any other deductions required by law. In the case of a Participant who has incurred a Severance From Service, the Participant's Deferral Election and Deferral Election Form shall apply to his or her Base Salary or Eligible Short-Term Incentive Pay earned prior to the Severance From Service notwithstanding that the Participant had incurred a Severance From Service at the time the payment would otherwise be made absent the Deferral Election.**

1.17 **"Deferral Election Form" means a document, in a form or forms approved by the Plan Manager, including electronic, whereby the Participant elects to defer, in whole percentages, up to 20% of the Participant's Base Salary and/or up to 75% of any Short-Term Incentive Pay earned during a Plan Year and otherwise payable to the Participant and designates a Distribution Event and form of payment for the portion of the Participant's Account attributable to such Deferral Amount, including Earnings.**

1.18 **"Disability" means, except as may otherwise be required by Internal Revenue Code Section 409A, that a Participant either (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or (ii) by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, is receiving, and has received for at least three months, income-replacement benefits under any Corporation-sponsored disability benefit plan. A Participant who has been determined to be eligible for Social Security disability benefits shall be presumed to have a Disability as defined herein. The definition of Disability contained in the Plan shall have no impact or effect on any determination regarding disability made under any other employee benefit plan of the Employer.**

1.19 **"Distribution Date" means the date for commencement of distributions of a Participant's Account(s) determined in accordance with Section 4.1 of the Plan.**

1.20 **"Distribution Event" means the event selected by the Participant on his or her Deferral Election Form for the commencement of the distribution of the Participant's Account attributable to a Deferral Amount (including Earnings). A Participant may select as a Distribution Event for a Deferral Account (i) Severance From Service or (ii) a Specified Date.**

1.21 **"Earnings" means any deemed investment gains or losses credited or debited to a Participant's Account with respect to such Participant's Deferral Amount.**

1.22 **"Eligibility Determination Date" means the October 1st immediately preceding the Plan Year with respect to which an Employee who is eligible to participate in the Plan pursuant to the criteria set forth in Section 2 of the Plan may submit a Deferral Election.**

1.23 **"Eligible Short-Term Incentive Pay" means (i) 100% of a Participant's first $25,000 of Short-Term Incentive Pay plus (ii) 50% of the Participant's next $225,000 of Short-Term Incentive Pay; provided, however, that, for a Grandfathered Corporate Executive Group Participant, Eligible Short-Term Incentive Pay means such Participant's annual Short-Term Incentive Pay not in excess of the greater of (i) $25,000 or (ii) 50% of such Participant's Short-Term Incentive Pay.**

1.24 **"Employee" means any person employed by an Employer.**

1.25 **"Employer" means the Corporation and any Affiliate that has one or more employees paid through PNC's primary payroll system, except to the extent that any such Affiliate is designated by the Plan Manager as not an Employer for purposes of the Plan and listed on Schedule A hereto (an "Excluded Affiliate"). The Plan Manager may update Schedule A to reflect any designation, or removal of a designation, as an Excluded Affiliate pursuant to this Section 1.25 without amendment to the Plan.**

1.26 **"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.**

1.27 **"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.**

1.28 **"Grandfathered Corporate Executive Group Participant" means a Participant who (i) was a member of the Corporate Executive Group on December 31, 2009 as reflected on the Corporation's payroll records and (ii) continues to be a member of the Corporate Executive Group.**

1.29 **"Installment Period" has the meaning assigned in Section 4.2(a).**

1.30 **"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended. Any reference to a section of the Internal Revenue Code shall be deemed to include any regulation, ruling, or other guidance issued thereunder by the Department of the Treasury or the Internal Revenue Service.**

1.31 **"ISP" means The PNC Financial Services Group, Inc. Incentive Savings Plan, as amended from time to time.**

1.32 **"KEEP" means The PNC Financial Services Group, Inc. Key Executive Equity Program, as amended from time to time.**

1.33 **"Participant" means, except as provided in Section 1.5 or 1.53, any (i) Employee who meets the eligibility criteria set forth in Section 2 of the Plan and/or has an Account under the Plan and (ii) any former Employee who has an Account under the Plan. Notwithstanding the foregoing, an Employee who does not have an Account under the Plan shall cease to be a Participant if the Employee does not make a Deferral Election, or elects or is deemed to elect to defer no Base Salary and Eligible Short-Term Incentive Pay, for the Plan Year the Employee is otherwise entitled to make a Deferral Election.**

1.34 **"Pension Plan" means The PNC Financial Services Group, Inc. Pension Plan, as amended from time to time.**

1.35 **"Person" has the meaning given in Section 3(a)(9) of the Exchange Act and also includes any syndicate or group deemed to be a person under Section 13(d)(3) of the Exchange Act.**

1.36 **"Plan" means The PNC Financial Services Group, Inc. and Affiliates Deferred Compensation and Incentive Plan, which is the Plan set forth in this document, as amended from time to time.**

1.37 **"Plan Manager" means any individual designated by the Committee to manage the operation of the Plan as herein provided or to whom the Committee has duly delegated any of its duties and obligations hereunder.**

1.38 **"Plan Year" means the calendar year.**

1.39 **"Prior Plan" has the meaning assigned in Section 6.**

1.40 **"Retirement" means a Participant's Severance From Service at any time and for any reason (other than death) on or after the Participant has attained age 55 and completed five years of Vesting Service.**

1.41 **"Semi-Annual Valuation Date" means the first business day of January or July, as the context so requires.**

1.42 **"Separation From Service" means separation from service within the meaning of Internal Revenue Code Section 409A. For purposes of this definition, a Participant shall be deemed to have a Separation From Service on the date on which the Participant and the Employer reasonably anticipate that no further services would be performed after such date or that the level of bona fide services the Participant would perform after such date would permanently decrease to no more than 20% of the average level of bona fide services performed over the immediately preceding 36-month period (or the full period of employment if less than 36 months). Notwithstanding the above, no Separation From Service shall be deemed to occur while the Participant is on military leave, sick leave or other bona fide leave of absence until the latest of: (i) six months after commencement of the leave, other than for a Disability; (ii) 29 months after commencement of the leave as the result of a Disability; or (iii) the date on which the Participant ceases to have a legally protected right to reemployment under an applicable statute or by contract.**

1.43 **"Severance From Service" means the Participant's Separation From Service with the Corporation and all of its Affiliates.**

1.44 **"Short-Term Incentive Pay" means, with respect to a Plan Year, and only to the extent that such amounts are processed through the Corporation's primary payroll system and designated by the Corporation as eligible for deferral hereunder, (i) any commissions earned by a Participant; (ii) any monthly, quarterly and annual incentive award or portion of an incentive award payable in cash and earned by the Participant during the Plan Year; (iii) any other cash bonus or incentive compensation payment that is payable in cash and earned by the Participant during the Plan Year; and (iv) any amounts identified in clauses (i), (ii) or (iii) that are paid after the Participant's Severance From Service but only to the extent such amounts are earned prior to the Participant's Severance From Service; provided, however, that Short-Term Incentive Pay shall not include any amounts that become subject to the Corporation's general clawback policy or any other policy, program or practice concerning the recapture of an overpayment. A Participant's Short-Term Incentive Pay is attributable to a Plan Year if it is earned during the Plan Year, notwithstanding that it may be paid during a later Plan Year. Short-Term Incentive Pay shall not include any amounts subject to mandatory deferral or gross-ups.**

1.45 **"SISP" means The PNC Financial Services Group, Inc. Supplemental Incentive Savings Plan, adopted as of January 1, 1989, as amended from time to time.**

1.46 **"Specified Date" means the Semi-Annual Valuation Date that is specified by a Participant for the commencement of the distribution of his or her Account attributable to a Deferral Amount (including Earnings); provided, however, that such date is at least one full calendar year after the last day of the Plan Year to which the Deferral Amount relates. A Participant shall not be permitted to have designated more than five Specified Dates at any one time for Deferral Amounts (including Earnings) under the Plan.**

1.47 **"Spouse" means the person to whom the Participant is legally married on the relevant date (as determined under the laws of the state in which the Participant is a resident at the time of marriage).**

1.48 **"Subsequent Deferral Election" has the meaning assigned in Section 3.4.**

1.49 **"Trust" means the grantor trust established by the Corporation to assist in funding its obligations under the Plan.**

1.50 **"Unforeseeable Emergency" means an unforeseeable emergency that is a severe financial hardship to a Participant resulting from: (i) an illness to or accident involving the Participant, the Spouse, the Participant's beneficiary, or the Participant's dependent (as defined in Internal Revenue Code Section 152, without regard to Internal Revenue Code Sections 152(b)(1), (b)(2), and (d)(1)(B)); (ii) loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance); or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. Withdrawals of amounts because of such unforeseeable emergency will only be permitted to the extent reasonably necessary to satisfy the unforeseeable emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such unforeseeable emergency is or may be relieved:**

(a) **by cessation of deferrals under the Plan;**

(b) **through reimbursement or compensation by insurance or otherwise; or**

(c) **by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause financial hardship.**

The Plan Manager will have the sole and absolute discretion to determine whether an Unforeseeable Emergency exists.

1.51 **"Unforeseeable Emergency Withdrawal" has the meaning assigned in Section 4.3.**

1.52 **"Vesting Service" has the meaning assigned such term in the Pension Plan.**

1.53 **"Year-to-Date Short-Term Incentive Pay" means the Short-Term Incentive Pay paid or payable to an Employee between January 1 and the Eligibility Determination Date, plus, to the extent not already included, any Short-Term Incentive Pay that would have been received by the Employee during such period but for the Employee's participation in a mandatory or elective deferral plan, including, without limitation, this Plan. For purposes of determining the Employee's Short-Term Incentive Pay in connection with this Section 1.53, the term "Participant" in Section 1.44 shall mean "Employee." An Employee's Year-to-Date Short-Term Incentive Pay shall be determined by the Plan Manager in his or her sole discretion.**

**SECTION 2**

## ELIGIBILITY FOR PARTICIPATION

In general, an Employee may be eligible to participate in the Plan for a Plan Year if, as of the Eligibility Determination Date, (i) the Employee is an Active Employee and (ii) the sum of the Employee's Annualized Base Salary plus Year-to-Date Short-Term Incentive Pay exceeds the Compensation Threshold. The decision as to whether an Employee is eligible to participate in the Plan is reserved to the Plan Manager in his or her sole discretion. For the avoidance of doubt, a Participant who experiences a "deemed" Separation From Service as set forth in Section 1.42 shall not be eligible to participate in the Plan for a Plan Year unless and until the Plan Manager, in his or her sole discretion, makes a determination that such Participant again is eligible.

**SECTION 3**

## BENEFITS

3.1 **Deferral Amount.**

Any Employee who is eligible to participate in the Plan pursuant to the criteria set forth in Section 2 of the Plan may elect to defer payment of Base Salary and/or Eligible Short-Term Incentive Pay during a Plan Year by making a Deferral Election with respect to such Base Salary and/or such Eligible Short-Term Incentive Pay by submitting a Deferral Election Form to, and in accordance with the procedures established by, the Plan Manager; provided, however, that any such Deferral Election with respect to Base Salary shall not be greater than 20% and any such Deferral Election with respect to Eligible Short-Term Incentive Pay shall not be greater than 75%. Only whole percentages of Base Salary and Eligible Short-Term Incentive Pay may be designated for deferral.

3.2 **Deferral Election Form.**

The Plan Manager may establish enrollment periods during which a Participant's Deferral Election Form must be received by the Plan Manager; provided, however, that, except as otherwise provided in this Section 3.2, no Deferral Election Form may be accepted, and no deferral election may be made, after the December 31st immediately preceding the Plan Year for which the Deferral Election is to be effective. A Deferral Election Form will be effective only for one Plan Year and will apply to Base Salary and any Eligible Short-Term Incentive Pay earned by the Participant for that Plan Year (or any portion of that Plan Year) to which the Deferral Election relates, regardless of when such amounts are otherwise scheduled to be paid. Each Deferral Election Form also will permit the Participant to specify one or more Distribution Events, and, where applicable, whether the distribution will be made in a lump sum or installments, for the Deferral Amount (including Earnings). A Deferral Election Form may include an opportunity to designate a Beneficiary or Beneficiaries, to select a deemed investment in an investment fund or

funds, and to make other elections or provide additional information as the Plan Manager shall determine, in his or her sole discretion.

A Deferral Election Form that is not timely filed with respect to a Plan Year shall have no effect with respect to such Plan Year and shall be considered void. Whether a Deferral Election Form is timely filed shall be determined by the Plan Manager, in his or her sole discretion, consistent with this Section 3.2 and the requirements of Internal Revenue Code Section 409A. In the event that a Participant's Deferral Election Form fails to designate for deferral a percentage of Base Salary, Eligible Short-Term Incentive Pay, or both, the Participant will be deemed to have elected not to defer any amount of Base Salary, Eligible Short-Term Incentive Pay, or both, as the case may be. In the event that a Participant's Deferral Election Form fails to designate a Distribution Event, or designates a Distribution Event that is not permitted under the terms of the Plan (including, without limitation, designating a Specified Date that is less than one full calendar year from the last day of the applicable Plan Year), the Participant shall be deemed to have selected the Participant's Severance From Service as the Distribution Event for the Deferral Amount (including Earnings) attributable to the Plan Year.

The Plan Manager shall make a good-faith effort to interpret any Deferral Election Form to the greatest extent possible consistent with the terms of the Plan and restrictions under applicable law.

3.3 **Cancellation or Revocation of Deferral Elections.**

A Participant's Deferral Election for a Plan Year may be cancelled by the Committee or its delegate for the remainder of such Plan Year upon (i) the Participant's taking a hardship withdrawal under the DCP or the SISP (as applicable); (ii) the Participant's Disability, provided that the suspension occurs by the later of the end of the Participant's taxable year and the 15th day of the third month following the date the Participant incurs the Disability; and (iii) the Participant's receipt of a distribution from the Plan on account of an Unforeseeable Emergency. Any such cancellation shall apply to any Base Salary and Eligible Short-Term Incentive Pay subject to such Deferral Election that would otherwise have been payable after the date of such suspension and before the end of such Plan Year. In addition, all of a Participant's existing Deferral Elections will be deemed to have been revoked upon (A) a termination of the Plan or the portion thereof covering the Participant, to the extent permitted under Internal Revenue Code Section 409A; or (B) the Participant's Severance From Service (except with respect to any Base Salary and/or Eligible Short-Term Incentive Pay earned before the Severance From Service).

3.4 **Modification of Distribution Elections.**

**A Participant who has not already commenced receiving a distribution of an Account attributable to a Distribution Event may, with respect to an Account to be distributed in connection with a Specified Date, subsequently change the previously designated Specified Date to another Specified Date or, with respect to an Account to be distributed in connection with a Severance From Service, subsequently change**

**the form in which a distribution is to be made in connection with the Severance From Service (a "Subsequent Deferral Election"); provided, however, that a Subsequent Deferral Election may be made only if the Subsequent Deferral Election (i) is made at least 12 months prior to the Distribution Event previously designated for such portion of his or her Account; (ii) is not effective until the 12-month anniversary of the date on which the Subsequent Deferral Election is made; and (iii) defers the Distribution Date for such portion of his or her Account by at least five years from the Distribution Date applicable under the prior Distribution Event; provided further that, for the avoidance of doubt, any such Subsequent Deferral Election shall become irrevocable as of the date that is 12 months prior to the previously designated Distribution Event with respect to which the Subsequent Deferral Election is made. In the case of a Subsequent Deferral Election with respect to an Account to be distributed in connection with a Severance From Service, the Distribution Date for the Account following the Subsequent Deferral Election shall be the Distribution Date determined in accordance with Section 4 of the Plan as if the Participant's Severance From Service occurred on the anniversary of the Participant's actual Severance From Service that is equal to the product of (A) five multiplied by (B) the number of Subsequent Deferral Elections that the Participant has made with respect to the Account to be distributed in connection with his or her Severance From Service. A Participant may make a Subsequent Deferral Election in accordance with the procedures established by the Plan Manager.**

## SECTION 4

## DISTRIBUTION OF DEFERRAL AMOUNTS AND PARTICIPANT ACCOUNTS

4.1 **Time of Distribution.**

(a) **Severance From Service.**

(1) **If the Participant designates Severance From Service as the Distribution Event for a Deferral Amount, distribution of the Participant's Account attributable to such Deferral Amount (including Earnings) shall commence within 30 days of the first Semi-Annual Valuation Date that is at least six months after the occurrence of the Participant's Severance From Service.**

(2) **In the event that a Participant's Account is distributed following a Severance From Service in annual installments pursuant to Section 4.2(a) of the Plan, the first installment payment shall be made in accordance with subsection (1) above, and each subsequent annual installment payment shall be made within 30 days of the Semi-Annual Valuation Date that represents the anniversary of the Semi-Annual Valuation Date in connection with which the Participant's**

**distributions commenced, until the Participant's Account is fully distributed.**

(b) **Specified Date.**

**If the Participant designates a Specified Date as the Distribution Event for a Deferral Amount, distribution of the Participant's Account attributable to such Deferral Amount (including Earnings) shall commence within 30 days of the Semi-Annual Valuation Date that the Participant designated as the Specified Date on his or her Deferral Election Form (or in accordance with a modification pursuant to Section 3.4); provided, however, that, if a Participant incurs a Severance From Service that is not due to Retirement or death, distribution of all of the Participant's Accounts, other than an Account to be distributed in connection with a Specified Date that occurred on or before the date of the Severance From Service, will commence within 30 days of the first Semi-Annual Valuation Date that is at least six months after the Participant's Severance From Service.**

4.2 **Form of Distribution.**

Except as otherwise provided in this Section 4.2, distribution of a Participant's Account attributable to any Deferral Amount (including Earnings) shall commence in accordance with the Distribution Event designated by the Participant on his or her Deferral Election Form (or in accordance with a modification pursuant to Section 3.4), and such distribution shall be made, as follows:

(a) **Severance From Service.**

**A distribution commencing in connection with a Severance From Service will be payable in accordance with the Participant's election on his or her Deferral Election Form (or in accordance with a modification pursuant to Section 3.4) to receive the distribution in either (i) a single lump sum or (ii) annual installments over a period designated by the Participant (the "Installment Period") of not less than two years and not more than 10 years. If the Participant elects to receive distributions in installments, the Participant shall also elect to receive either (A) substantially equal annual installments (subject to fluctuations in the value of the deemed investments) over the Installment Period or (B) a partial lump sum equal to a specified dollar amount or percentage of the Account designated for distribution with the remaining balance of such Account paid in substantially equal installments (subject to fluctuations in the value of the deemed investments) over the remainder of the Installment Period. The amount of each installment payment (other than the partial lump-sum payment described in clause (B)) shall be determined by dividing the balance of the Account as of the associated Semi-Annual Valuation Date by the number of installment payments remaining to be distributed. Notwithstanding the foregoing, in the**

**event that a Participant incurs a Severance From Service that is not due to Retirement or death, or if the Participant fails to elect a form of payment for an Account that is to be distributed in connection with a Separation From Service, or makes an invalid election, distribution of the Participant's Account will be made in a single lump-sum payment.**

(b) **Specified Date.**

**A distribution commencing in connection with a Specified Date shall be paid in a single lump sum.**

4.3 **Unforeseeable Emergency Withdrawal.**

A Participant may request a distribution of all or any portion of his or her Account in the event of an Unforeseeable Emergency (an "Unforeseeable Emergency Withdrawal") in accordance with the procedures established by the Plan Manager. Upon approval of the Plan Manager, payment of an Unforeseeable Emergency Withdrawal will be made in a single lump sum cash payment as soon as administratively practicable, but, in any event, no later than ninety (90) days after such approval. The amount of the Unforeseeable Emergency Withdrawal will be deducted pro rata from all of the Participant's Accounts based upon the proportionate value each Account bears to the aggregate value of all of the Participant's Accounts, and pro rata from all of the deemed investments within an Account based upon the proportionate value each of the deemed investments bears to the aggregate value of all of the deemed investments within the Account, on the first business day of the month in which the Unforeseeable Emergency Withdrawal is approved. An Unforeseeable Emergency Withdrawal will have no effect on the timing of the distributions of any amounts remaining in such Participant's Account, and, except as otherwise determined by the Committee or its delegate pursuant to Section 3.3, will not have any effect on any current or future Deferral Election after the Unforeseeable Emergency Withdrawal.

4.4 **Death Benefit.**

**If the Participant's Severance From Service occurs because of the Participant's death, either before or after payments commence, the balance of the Participant's Account will be distributed to the Participant's Beneficiary or Beneficiaries (determined in accordance with Section 6 hereto) in a single lump-sum payment within 90 days of the Participant's death. The amount, subject to the distribution of a Participant's Account under this Section 4.4, shall be based on the value of the Participant's Account as of the date of such Participant's death, if such date is a business day, or, if it is not, as of the first business day immediately preceding the date of death.**

**Notwithstanding the foregoing, if a Participant's date of death is on or after the Distribution Date associated with a scheduled distribution, whether attributable to a Specified Date or one of the installment payments in a series of installment**

**payments following a Severance From Service, but before the payment associated with such Distribution Date is actually distributed, such distribution shall not be affected and shall continue to be distributed in accordance with the Participant's Deferral Election, with such distribution to be paid to the Participant's estate. For the avoidance of doubt, the remaining installment payments that are not paid to the Participant's estate pursuant to the immediately preceding sentence shall be distributed in accordance with the first paragraph of this Section 4.4.**

4.5 **Form and Valuation of Distribution.**

All distributions will be payable in cash. Except as provided otherwise in Sections 4.3 and 4.4, the amount subject to the distribution of a Participant's Account shall be based on the value of the Participant's Account as of the Semi-Annual Valuation Date in connection with which the distribution is made.

## SECTION 5

## INVESTMENT FUNDS

Deferral Amounts credited to a Participant's Account under the Plan will be deemed to be invested in the investment fund or funds selected by the Participant in accordance with procedures established by the Plan Manager. The Participant may elect to change the investment fund elections in accordance with procedures established by the Plan Manager. The Administrative Committee will, in its sole discretion, determine the various investment funds that will be available for the deemed investment of all Deferral Amounts. If the Participant fails to select an investment fund or funds with respect to any Deferral Amount, such Deferral Amount will be automatically invested in a default investment fund as may be designated from time to time by the Administrative Committee, until the Participant provides investment directions in accordance with procedures established by the Plan Manager. The Participant's Account will be valued daily.

The Committee or its delegate, in its sole and absolute discretion, will establish procedures for allocating any Earnings to the Participant's Account.

## SECTION 6

## DESIGNATION OF BENEFICIARIES

A Participant will designate a Beneficiary or Beneficiaries to receive the balance of the Participant's Account upon the Participant's death. Such designation will be on a form approved by the Plan Manager and will not be effective until the Plan Manager receives the form. If no valid Beneficiary designation form is on file with the Plan Manager upon the Participant's death, then the balance of the Participant's Account will be payable to the Beneficiary designated by the Participant under the Employer's group life insurance plan (which, in the case of a Participant who is also participating in the KEEP, shall mean the Beneficiary designated by the Participant under the KEEP), or, if no such designation exists, to the Participant's estate. For the sake of

clarity, Beneficiary or Beneficiaries designations under any plan that is merged into the Plan (the "Prior Plan") will be honored until a Participant designates a new Beneficiary or Beneficiaries under the Plan or until the Participant revokes his or her prior Beneficiary or Beneficiaries designations under the Prior Plan.

## SECTION 7

## TRUST FUND

No assets of the Corporation or any Employer will be segregated or earmarked with respect to any Deferral Amounts and all such amounts will constitute unsecured contractual obligations of the Employer. If the Corporation chooses to contribute to the Trust to offset its obligation under this Plan, all assets or property held by the Trust will at all times remain subject to the claims of the general creditors of the Corporation or any Employer.

## SECTION 8

## CLAIMS PROCEDURE

8.1 **Initial Claim .**

Claims for benefits under the Plan will be filed with the Plan Manager. If any Participant or Beneficiary claims to be entitled to a benefit under the Plan and the Plan Manager determines that such claim should be denied, in whole or in part, the Plan Manager will notify such person of its decision in writing. Such notification will be written in a manner calculated to be understood by such person and will contain (i) specific reasons for the denial, (ii) specific reference to pertinent Plan provisions, (iii) a description of any additional material or information necessary for such person to perfect such claim and an explanation of why such material or information is necessary, and (iv) information as to the steps to be taken if the person wishes to submit a request for review. Such notification will be given within 90 days after the Plan Manager receives the claim. If such notification is not given within such period, the claim will be considered denied as of the last day of such period and such person may request a review of his or her claim.

8.2 **Review Procedure.**

Within 60 days after the date on which the Participant or Beneficiary receives a written notice of a denied claim (or, if applicable, within 60 days after the date on which such denial is considered to have occurred), such person (or his or her duly authorized representative) may (i) file a written request with the Committee for a review of his or her denied claim and of pertinent documents, and (ii) submit written issues and comments to the Committee. The Committee will notify such person of its decision in writing. Such notification will be written in a manner calculated to be understood by such person and will contain specific reasons for the decision as well as specific references to pertinent Plan provisions. The decision on review will be made within 60 days after the

Committee receives the request for review. If the decision on review is not made within such period, the claim will be considered denied.

8.3 **Claims and Review Procedure Not Mandatory After a Change in Control.**

After the occurrence of a Change in Control, the claims procedure and review procedure provided for in this Section 8 will be provided for the use and benefit of Participants who may choose to use such procedures, but compliance with the provisions of this Section 8 will not be mandatory for any Participant claiming benefits after a Change in Control. It will not be necessary for any Participant to exhaust these procedures and remedies after a Change in Control prior to bringing any legal claim or action, or asserting any other demand, for payments or other benefits to which such Participant claims entitlement.

8.4 **Exhaustion of Claims Procedures.**

A claim or action (1) to recover benefits allegedly due under the Plan or by reason of any law; (2) to enforce rights under the Plan; (3) to clarify rights to future benefits under the Plan; or (4) that relates to the Plan and seeks a remedy, ruling or judgment of any kind against the Plan or a Plan Manager or a party in interest (collectively, a "Judicial Claim") may not be commenced in any court or forum until after the claimant has exhausted the Plan's claims and appeals procedures (an "Administrative Claim"). A claimant must raise all arguments and produce all evidence the claimant believes supports the claim or action in the Administrative Claim and shall be deemed to have waived every argument and the right to produce any evidence not submitted to the Committee as part of the Administrative Claim. Any Judicial Claim must be commenced in the appropriate court or forum no later than 24 months from the earliest of (A) the date the first benefit payment was made or allegedly due; (B) the date the Committee or its delegate first denied the claimant's request; or (C) the first date the claimant knew or should have known the principal facts on which such claim or action is based; provided, however, that, if the claimant commences an Administrative Claim before the expiration of such 24-month period, the period for commencing a Judicial Claim shall expire on the later of the end of the 24-month period and the date that is three (3) months after the final denial of the claimant's Administrative Claim, such that the claimant has exhausted the Plan's claims and appeals procedures. Any claim or action that is commenced, filed or raised, whether a Judicial Claim or an Administrative Claim, after expiration of such 24-month limitations period (or, if applicable, expiration of the three (3) month limitations period following exhaustion of the Plan's claims and appeals procedures) shall be time-barred. Filing or commencing a Judicial Claim before the claimant exhausts the Administrative Claim requirements shall not toll the 24-month limitations period (or, if applicable, the 3-month limitations period).

8.5 **Venue.**

The courts of competent jurisdiction in Pittsburgh, Pennsylvania shall have exclusive jurisdiction for all claims, actions and other proceedings involving or relating to the Plan, a Plan Manager or a party in interest, including, by way of example and not of limitation,

claim or action, (1) to recover benefits allegedly due under the Plan or by reason of any law; (2) to enforce rights under the Plan; (3) to clarify rights to future benefits under the Plan; or (4) that relates to the Plan and seeks a remedy, ruling or judgment of any kind against the Plan or a Plan Manager or a party in interest.

## SECTION 9

## ADMINISTRATION; DELEGATION

The Committee or its delegate, as the case may be, including, without limitation, the Plan Manager with respect to claims pursuant to Section 8.1, will have absolute authority to determine eligibility for benefits and administer, interpret, construe and vary the terms of the Plan; provided, however, that after a Change in Control, the Committee or its delegate will be subject to the direction of the trustee of the Trust with respect to the exercise of the authority granted by this Section 9 and elsewhere in this Plan.

This Plan is intended to be "a plan which is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA and will be administered in a manner consistent with that intent.

The Board, the Committee or their respective delegates may, in their sole discretion, delegate authority hereunder, including, but not limited to, delegating authority to modify, amend, administer, interpret, construe or vary the Plan, to the extent permitted by applicable law or administrative or regulatory rule.

All administrative costs and expenses of the Plan, to the extent permitted under applicable law, will be allocated among and deducted from Accounts of all Participants on a pro rata basis in accordance with procedures determined by the Plan Manager.

## SECTION 10

## AMENDMENT AND TERMINATION

The Committee will have the sole and absolute discretion to modify, amend or terminate this Plan, in whole or in part, at any time; provided, however, that no modification, amendment or termination will be made that would have the effect of decreasing the amount payable to any Participant or Beneficiary hereunder without the consent of such Participant or Beneficiary. In the event of any termination of the Plan or any portion thereof, payment of affected Participants' Accounts shall be made under, and in accordance with, the terms of the Plan and the applicable elections, except that the Committee may determine, in its sole discretion, to accelerate payments to all such Participants if, and to the extent that, such acceleration is permitted under Internal Revenue Code Section 409A.

After a Change in Control, the Plan may not be amended in any manner that adversely affects the administration of payment of a Participant's benefits hereunder (including, but not limited to, the

timing and form or payment of benefits hereunder) without the consent of the Participant, nor may the provisions of this Section 10 or Section 11 be amended after a Change in Control with respect to a Participant without the written consent of the Participant; provided, however, that the failure of the Participant to consent to any such amendment will not impair the ability of the Committee to amend the Plan with respect to any other Participant who has consented to such amendment.

## SECTION 11

## SUCCESSORS

In addition to any obligations imposed by law upon any successor(s) to the Corporation and the Employers, the Corporation and the Employers will be obligated to require any successor(s) (whether direct or indirect, by purchase, merger, consolidation, operation of law, or otherwise) to all or substantially all of the business and/or assets of the Corporation and the Employers to expressly assume and agree to perform this Plan in the same manner and to the same extent that the Corporation and the Employers would be required to perform it if no such succession had taken place; in the event of such a succession, references to "Corporation" and "Employers" herein will thereafter be deemed to include such successor(s). Except as set forth in the preceding sentence with respect to the successor(s) to all or substantially all of the business and/or assets of the Corporation and the Employers, the Corporation's and the Employers' obligations under this Plan are not assignable or transferable except, in the discretion of the Corporation, to: (i) any corporation, partnership or limited liability company that acquires all or substantially all of the assets of an Employer; or (ii) any corporation, partnership or limited liability company into which an Employer may be merged or consolidated.

## SECTION 12

## GOVERNING LAW

The Plan will be governed according to the laws of the Commonwealth of Pennsylvania, without reference to its conflict-of-laws provisions, to the extent not preempted by federal law.

## SECTION 13

## MISCELLANEOUS

13.1 **Liability of Board, Committee and Plan Manager.**

Neither the Board, the Committee, the Plan Manager nor their respective delegates will be liable to any person for any action taken or admitted in connection with the administration, interpretation, construction or variance of the Plan.

13.2 **No Contract of Employment.**

Nothing herein will be construed as an offer or commitment by the Corporation or any Affiliate to continue any Participant's employment with it for any period of time.

13.3 **Compensation Under Other Plans.**

Any amount deferred and/or payable under this Plan shall not be considered compensation for the purpose of computing benefits to which a Participant may be entitled under any qualified pension plan (as that term is defined in Section 3(3) of ERISA) or other arrangement of the Corporation or an Affiliate for the benefit of Employees, except as specified in such plan or arrangement.

13.4 **Withholding.**

The Corporation or an Affiliate shall have the right to deduct from payment of any amount under the Plan any taxes required by law to be withheld from a Participant or Beneficiary with respect to such payment.

13.5 **Spendthrift Clause.**

The right of the Participants to any amounts deferred or invested in this Plan will not be transferable or assignable and will not be subject to alienation, encumbrance, garnishment, attachment, execution or levy of any kind, voluntary or involuntary, except when, where and if compelled by applicable law. For the sake of clarity, domestic relations orders purporting to assign benefits under the Plan do not apply to the Plan.

13.6 **Severability.**

Whenever possible, each provision of this Plan will be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of the Plan is held to be prohibited by or invalid under applicable law, then (i) such provision will be deemed to be amended to, and to have contained from the outset such language as is necessary to, accomplish the objectives of the provision as originally written to the fullest extent permitted by law, and (ii) other provisions of this Plan will remain in full force and effect.

13.7 **Construction.**

No rule of strict construction shall be applied against the Corporation, any Affiliate, the Committee, the Board, the Plan Manager or any other person regarding the interpretation of any terms of this Plan or any rule or procedure established by the Committee, the Plan Manager or their respective delegates.

Where the context allows, words in the masculine gender shall include the feminine and neuter genders, the plural shall include the singular and the singular shall include the plural.

The captions of sections and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

13.8 **Corporation and Affiliate Liability.**

Whenever, in the Committee's or the Plan Manager's opinion, any person entitled to receive any payment is under a legal disability, is a minor, or is incapacitated in any way so as to be unable to manage his or her financial affairs, the Corporation or an Affiliate, at its discretion, may make such payment for the benefit of such person to his or her legal representative, custodian or guardian. When the Corporation or an Affiliate makes any payment pursuant to this subsection, it shall be considered as a complete discharge of its liability for the making of such payments under the Plan.

13.9 **Entire Agreement.**

This writing constitutes the final and complete embodiment of the understandings of the parties hereto and all prior understandings and communications of the parties, oral or written, concerning this Plan are hereby renounced, revoked and superseded.

13.10 **Notices.**

All notices to the Corporation hereunder shall be delivered to the attention of the Committee or to the Plan Manager acting on its behalf. Any notice or filing required or permitted to be given to the Committee or the Corporation under this Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the Committee or to the Plan Manager, at the principal office of the Corporation. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark or the receipt for registration or certification.

13.11 **Compliance with Law.**

The Plan is intended to comply with applicable law. Without limiting the foregoing, the Plan is intended to comply with the applicable requirements of Internal Revenue Code Section 409A, and will be administered in accordance with Internal Revenue Code Section 409A to the extent that Internal Revenue Code Section 409A applies to the Plan. Notwithstanding any provision in the Plan to the contrary, distributions from the Plan may only be made in a manner, and upon an event, permitted by Internal Revenue Code Section 409A. If any payment or benefit cannot be provided or made at the time specified herein without incurring penalties under Internal Revenue Code Section 409A, then such benefit or payment will be provided in full at the earliest time thereafter when such penalties will not be imposed. For purposes of Internal Revenue Code Section 409A, a series of installment payments under the Plan shall be treated as a single payment. In the event that the Plan provides for the payment of any amount within a specified period of time, the actual date of payment of such amount shall be determined by the Corporation in its sole discretion. To the extent that any provision of the Plan would cause a conflict with the applicable requirements of Internal Revenue Code Section 409A, or would cause the administration of the Plan to fail to satisfy the applicable requirements of Internal Revenue Code Section 409A, such provision shall be deemed null and void to the extent permitted by applicable law.

13.12 **Compliance with the Uniformed Services Employment and Reemployment Rights Act of 1994.**

Notwithstanding any other provision of the Plan to the contrary, the Plan shall be administered consistent with the requirements under Chapter 43 of Title 38 of the United States Code.

* * * *

Executed and adopted by the Chief Human Resources Officer of The PNC Financial Services Group, Inc. this 16th day of December, 2019, pursuant to the authority delegated by the Corporation's Personnel and Compensation Committee.

/s/ Vicki C. Henn
Vicki C. Henn
Executive Vice President
Chief Human Resources Officer

**SCHEDULE A**

**EXCLUDED AFFILIATES**

## APPENDIX A

## PROVISIONS APPLICABLE TO SPECIAL INITIATIVE DEFERRAL ELECTIONS

The Corporation has created a special retirement window initiative (the "Special Initiative") to provide certain eligible Employees with the opportunity to negotiate the terms of their retirement, including the receipt of a special payment to assist in paying for post-termination medical expenses or insurance (the "Special Initiative Payment"). This Appendix A governs the terms of the Plan as they apply to an election to defer receipt of a Special Initiative Payment and the subsequent distribution of a Participant's Account attributable to a Special Initiative Deferral Election.

Unless otherwise stated in this Appendix A, the provisions set forth in this Appendix A shall apply in place of, or in addition to (as the context may require), the provisions set forth in the main body of the Plan document. By way of example and not of limitation, the provisions necessary to satisfy the requirements of applicable law, the provisions governing the deemed investment of amounts attributable to a Special Initiative Deferral Election, the provisions governing the distribution in the event of an Unforeseeable Emergency or a Participant's death, the administrative provisions that relate to the administration of a Participant's rights, and such other provisions as the Committee or its delegate, including, without limitation, the Plan Manager, may determine are necessary for the proper administration of the Plan and this Appendix A shall be subject to the Plan provisions set forth in the main body of the Plan document. Capitalized terms not otherwise defined in this Appendix A shall have the meanings assigned in the main body of the Plan document.

1. Definitions. For purposes of this Appendix A:

   (a) "Participant" means any Employee designated by the Corporation or its delegate, in its sole discretion, to participate in the Special Initiative, who meets the eligibility criteria set forth in Section 2 of the Plan, and/or has an Account attributable to a Special Initiative Deferral Election. Notwithstanding the foregoing, an Employee who is designated to participate in the Special Initiative shall cease to be a Participant if such Employee does not make a Special Initiative Deferral Election by the date required by Treasury Regulations Section 1.409A-2(a)(11). For the avoidance of doubt, an Employee's eligibility to participate in the main body of the Plan document shall be unrelated to his or her eligibility to participate in this Appendix A.

   (b) "Special Initiative Deferral Election" means a Participant's irrevocable election to defer a whole percentage of his or her Special Initiative Payment by timely delivery to the Plan Manager of a Special Initiative Deferral Election Form. Special Initiative Deferral Elections shall be calculated with respect to the gross Special Initiative Payment payable to

the Participant prior to any deductions or withholdings, but shall be reduced by the Committee or its delegate to the extent necessary so that Special Initiative Deferral Elections do not exceed 100% of the cash amounts payable to the Participant after deduction of all required income and employment taxes and any other deductions required by law. A Participant's Special Initiative Deferral Election shall have no effect on such Participant's Deferral Election, or absence of a Deferral Election, with respect to his or her Base Salary or Eligible Short-Term Incentive Pay.

(c) "Special Initiative Deferral Election Form" means a document, in a form or forms approved by the Plan Manager, including electronic, whereby the Participant elects to defer, in whole percentages, up to 75% of a Special Initiative Payment.

(d) "Special Initiative Specified Date" means the first Semi-Annual Valuation Date contemporaneous with or immediately following the date that is the second anniversary of the Participant's Severance From Service.

(e) "Subsequent Deferral Election" has the meaning assigned in Paragraph 2(b) of this Appendix A.

2. Benefits.

(a) Special Initiative Deferral Election and Special Initiative Deferral Election Form.

A Participant may make a Special Initiative Deferral Election and irrevocably elect to defer, in whole percentages, up to 75% of the payment of his or her Special Initiative Payment to the Participant's Special Initiative Specified Date by submitting a Special Initiative Deferral Election Form to, and in accordance with the procedures established by, the Plan Manager. No Special Initiative Deferral Election Form may be accepted, and no deferral election may be made, after the Employee has a legally binding right to the Special Initiative Payment as set forth in Treasury Regulations Section 1.409A-2(a)(11). A Special Initiative Deferral Election Form that is not timely filed shall have no effect with respect to the Participant's Special Initiative Payment and shall be considered void. Whether a Special Initiative Deferral Election Form is timely filed shall be determined by the Plan Manager, in his or her sole discretion, consistent with this Appendix A and the requirements of Internal Revenue Code Section 409A.

The Special Initiative Deferral Election Form may include the opportunity to designate a Beneficiary or Beneficiaries, select a deemed investment in an investment fund, and make other elections or provide additional

information as the Plan Manager shall determine, in his or her sole discretion. For the avoidance of doubt, a Participant's Account attributable to a Special Initiative Deferral Election (including Earnings) will be paid in a lump sum on the Participant's Special Initiative Specified Date (subject to any Subsequent Deferral Election in accordance with Paragraph 2(b) of this Appendix A), and the Special Initiative Deferral Election Form shall not permit the Participant to elect an alternative form of payment or a date for distribution.

(b) Subsequent Deferral Election.

With respect to a Participant's Account attributable to a Special Initiative Deferral Election, the Participant may make a one-time election to subsequently change the date of distribution of such amount to the fifth anniversary of his or her Special Initiative Specified Date (a "Subsequent Deferral Election"); provided, however, that such Subsequent Deferral Election may be made only if the Subsequent Deferral Election (i) is made at least 12 months prior to the Participant's Special Initiative Specified Date and (ii) is not effective until the 12-month anniversary of the date on which the Subsequent Deferral Election is made; provided further that, for the avoidance of doubt, any such Subsequent Deferral Election shall become irrevocable as of the date that is 12 months prior to the Participant's Special Initiative Specified Date. No Subsequent Deferral Election shall be permitted with respect to the form of distribution. A Participant may make a Subsequent Deferral Election in accordance with procedures established by the Plan Manager.

3. Time Form and Amount of Distribution.

Distribution of a Participant's Account attributable to his or her Special Initiative Deferral Election (and any Earnings thereon) shall be made in a single lump-sum cash distribution within 30 days of the Participant's Special Initiative Specified Date or, in the event the Participant has made a Subsequent Deferral Election, within 30 days of the fifth anniversary of the Participant's Special Initiative Specified Date.

The amount subject to the distribution under this Paragraph 3 shall be based on the value of the Participant's Account attributable to his or her Special Initiative Deferral Election (which, for the avoidance of doubt, includes any Earnings thereon) as of the Participant's Special Initiative Specified Date (or, in the event the Participant has made a Subsequent Deferral Election, as of the fifth anniversary of the Participant's Special Initiative Specified Date).

**EXHIBIT 21**

**THE PNC FINANCIAL SERVICES GROUP, INC.**
**SCHEDULE OF CERTAIN SUBSIDIARIES**
**(As of December 31, 2019)**

| Name | State or Other Jurisdiction of Incorporation or Organization |
|---|---|
| PNC Bancorp, Inc. [1] | Delaware |
| PNC Bank, National Association [1] | United States |
| PNC Equipment Finance, LLC | Delaware |
| PNC Merchant Services Company | Delaware |
| PNC NCNVINV, Inc. | Delaware |
| PNC Holding, LLC [1] | Delaware |
| PNC Investment Company, LLC | Delaware |
| PNC Capital Markets, LLC | Pennsylvania |
| PNC Capital Finance, LLC | Delaware |

(1) The names of the subsidiaries of the indicated entities are omitted because such subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

**EXHIBIT 23.1**

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-210994 and No. 333-228804), Form S-4 (No. 333-155248) and Form S-8 (No. 333-156540, No. 333-18069, No. 333-65040, No. 333-136808, No. 333-172931, No. 333-156886, No. 333-177896, No. 333-134169, No. 333-139345, No. 333-143182, No. 333-177898, No. 333-156527, No. 333-198461, No. 333-210995, and No. 333-229874) of The PNC Financial Services Group, Inc. of our report dated February 28, 2020 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania
February 28, 2020

**EXHIBIT 23.2**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference of our report dated February 28, 2020, relating to the financial statements of BlackRock, Inc. appearing in Exhibit 99.1 to this Annual Report on Form 10-K of The PNC Financial Services Group, Inc. (the "Corporation") for the year ended December 31, 2019, in the following Registration Statements of the Corporation:

- Forms S-3 relating to the Corporation's Dividend Reinvestment and Stock Purchase Plan (No. 333-210994)
- Forms S-8 relating to the Corporation's Employee Stock Purchase Plan (No 333-156540)
- Forms S-8 relating to the Corporation's Supplemental Incentive Savings Plan and the Corporation and Affiliates' Deferred Compensation Plan (Nos. 333-18069, 333-65040, 333-136808, and 333-172931)
- Form S-8 relating to the Corporation's Supplemental Incentive Savings Plan and the Corporation and Affiliates' Deferred Compensation Plan (No. 333-156886)
- Form S-8 relating to the Corporation's Deferred Compensation and Incentive Plan (Nos. 333-177896 and 333-198461)
- Forms S-8 relating to the Corporation's 2006 Incentive Award Plan (Nos. 333-134169, 333-139345, 333-143182 and 333-177898)
- Form S-4 relating to the Corporation's acquisition of National City Corporation (No. 333-155248)
- Form S-8 relating to various National City plans (No. 333-156527)
- Form S-8 relating to the Corporation's 2016 Incentive Award Plan (No. 333-210995)
- Form S-8 relating to the Corporation's Deferred Compensation and Incentive Plan and the Corporation's Directors Deferred Compensation Plan (No. 333-229874)
- Form S-3 relating to the shelf registration statement of debt securities, common stock, preferred stock, purchase contracts, units, warrants and depositary shares to be issued by the Corporation (No. 333-228804)

/s/ Deloitte & Touche LLP

New York, New York
February 28, 2020

**EXHIBIT 24**

POWER OF ATTORNEY

The PNC Financial Services Group, Inc.

KNOW ALL PERSONS BY THESE PRESENTS, that each of the undersigned Directors and/or Officers of The PNC Financial Services Group, Inc. (the "Corporation"), a Pennsylvania corporation, hereby names, constitutes and appoints Robert Q. Reilly, Gregory H. Kozich, Laura L. Long and Alicia G. Powell, and each of them, as such person's true and lawful attorney-in-fact with power of substitution and resubstitution to sign in his or her name, place and stead, in any and all capacities, and to do any and all things and execute any and all instruments that such attorney may deem necessary or advisable under the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission (the "Commission"), in connection with the filing with the Commission of an Annual Report on Form 10-K of the Corporation for the fiscal year ended December 31, 2019 (the "2019 Form 10-K"); including specifically, but without limiting the generality of the foregoing, the power and authority to sign his or her name in his or her capacity as a member of the Board of Directors of the Corporation and/or as an Officer of the Corporation to the 2019 Form 10-K and such other form or forms as may be appropriate to be filed with the Commission as he or she may deem appropriate, together with all exhibits thereto, and to any and all amendments or supplements thereto and to any other documents filed with the Commission, as fully for all intents and purposes as he or she might or could do in person, and hereby ratifies and confirms all that said attorney-in-fact and agent, acting alone may lawfully do or cause to be done by virtue hereof.

This Power of Attorney will be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania. The execution of this Power of Attorney is not intended to, and does not, revoke any prior powers of attorney other than the revocation, in accordance with applicable laws, of any power of attorney previously granted specifically in connection with the filing of the 2019 Form 10-K (and any and all related documents, including any amendments or supplements to the 2019 Form 10-K).

IN WITNESS WHEREOF, the following persons have duly signed this Power of Attorney in the capacities indicated as of this 13th day of February, 2020.

| Name/Signature | Capacity |
|---|---|
| /s/ William S. Demchak<br>William S. Demchak | Chairman, Chief Executive Officer and President (Principal Executive Officer) and Director |
| /s/ Robert Q. Reilly<br>Robert Q. Reilly | Executive Vice President and Chief Financial Officer<br>(Principal Financial Officer) |
| /s/ Gregory H. Kozich<br>Gregory H. Kozich | Senior Vice President and Controller<br>(Principal Accounting Officer) |

/s/ Joseph Alvarado
Joseph Alvarado — Director

/s/ Charles E. Bunch
Charles E. Bunch — Director

/s/ Debra A. Cafaro
Debra A. Cafaro — Director

/s/ Marjorie Rodgers Cheshire
Marjorie Rodgers Cheshire — Director

/s/ Andrew T. Feldstein
Andrew T. Feldstein — Director

/s/ Richard J. Harshman
Richard J. Harshman — Director

/s/ Daniel R. Hesse
Daniel R. Hesse — Director

/s/ Richard B. Kelson
Richard B. Kelson — Director

/s/ Linda R. Medler
Linda R. Medler — Director

/s/ Martin Pfinsgraff
Martin Pfinsgraff — Director

/s/ Toni Townes-Whitley
Toni Townes-Whitley — Director

/s/ Michael J. Ward
Michael J. Ward — Director

In accordance with Exchange Act Rules 13a-14(f) and 15d-14(f), this certification does not relate to Interactive Data Files as defined in Rule 11 of Regulation S-T.

***CERTIFICATION OF CHIEF EXECUTIVE OFFICER***

I, William S. Demchak, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2019 of The PNC Financial Services Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2020

/s/ William S. Demchak

William S. Demchak

Chairman, President and Chief Executive Officer

In accordance with Exchange Act Rules 13a-14(f) and 15d-14(f), this certification does not relate to Interactive Data Files as defined in Rule 11 of Regulation S-T.

***CERTIFICATION OF CHIEF FINANCIAL OFFICER***

I, Robert Q. Reilly, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2019 of The PNC Financial Services Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2020

/s/ Robert Q. Reilly

Robert Q. Reilly

Executive Vice President and Chief Financial Officer

In accordance with Exchange Act Rules 13a-14(f) and 15d-14(f), this certification does not relate to Interactive Data Files as defined in Rule 11 of Regulation S-T.

**CERTIFICATION BY CHIEF EXECUTIVE OFFICER**
**PURSUANT TO 18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K for the year ended December 31, 2019 of The PNC Financial Services Group, Inc. (Corporation) as filed with the Securities and Exchange Commission on the date hereof (Report), I, William S. Demchak, Chairman, President and Chief Executive Officer of the Corporation, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation for the dates and periods covered by the Report.

This certificate is being made for the exclusive purpose of compliance by the Chief Executive Officer of the Corporation with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and may not be used by any person or for any reason other than as specifically required by law.

/s/ William S. Demchak

William S. Demchak
Chairman, President and Chief Executive Officer

February 28, 2020

In accordance with Exchange Act Rules 13a-14(f) and 15d-14(f), this certification does not relate to Interactive Data Files as defined in Rule 11 of Regulation S-T.

**CERTIFICATION BY CHIEF FINANCIAL OFFICER**
**PURSUANT TO 18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K for the year ended December 31, 2019 of The PNC Financial Services Group, Inc. (Corporation) as filed with the Securities and Exchange Commission on the date hereof (Report), I, Robert Q. Reilly, Executive Vice President and Chief Financial Officer of the Corporation, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation for the dates and periods covered by the Report.

This certificate is being made for the exclusive purpose of compliance by the Chief Financial Officer of the Corporation with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and may not be used by any person or for any reason other than as specifically required by law.

/s/ Robert Q. Reilly

Robert Q. Reilly
Executive Vice President and Chief Financial Officer

February 28, 2020

# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of BlackRock, Inc.:

**Opinion on Internal Control over Financial Reporting**

We have audited the internal control over financial reporting of BlackRock, Inc. and subsidiaries (the "Company") as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statement of financial condition as of December 31, 2019 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended of the Company and our report dated February 28, 2020, expressed an unqualified opinion on those consolidated financial statements.

**Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche, LLP

New York, New York
February 28, 2020

# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of BlackRock, Inc.:

**Opinion on the Financial Statements**

We have audited the accompanying consolidated statements of financial condition of BlackRock, Inc. and subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, changes in equity, and cash flows, for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2020, expressed an unqualified opinion on the Company's internal control over financial reporting.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

**Impairment of indefinite-lived intangible assets — Refer to Notes 2 and 12 to the financial statements**

*Critical Audit Matter Description*

The Company's indefinite-lived intangible assets are comprised of management contracts and trade names/trademarks acquired in business acquisitions. The Company performs its impairment assessment of its indefinite-lived intangible assets at least annually, as of July 31st. In evaluating whether it is more likely than not that the fair value of indefinite-lived intangibles is less than carrying value, the Company performs certain quantitative assessments and assesses various significant qualitative factors. If an indefinite-lived intangible asset is determined to be more likely than not impaired, the fair value of the asset is then compared with its carrying value and any excess of the carrying value over the fair value would be recognized as an expense in the period in which the impairment occurs. The determination of fair value requires management to make estimates and assumptions related to projected assets under management ("AUM") growth rates, revenue basis points, operating margins, tax rates, and discount rates.

Given the significant judgments made by management to estimate the fair value of its indefinite-lived intangible assets, performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to projected AUM growth rates, revenue basis points, operating margins, tax rates, and discount rates, required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the determination of fair value of indefinite-lived intangible assets included the following, among others:

- We tested the design, implementation and operating effectiveness of controls over the Company's indefinite-lived intangible asset impairment analysis, including those related to management's determination of fair value for the indefinite-lived intangible asset. This includes controls related to management's projected AUM growth rates, operating margins, tax rates, and the selection of the discount rates.
- We evaluated the reasonableness of management's projected AUM growth rates, revenue basis points, operating margins, and tax rates by comparing management's projections to:
  - historical amounts,

- internal communications to management and the Board of Directors, and
- forecasted information included in analyst and industry reports for the Company and certain of its peer companies.

- We evaluated management's ability to accurately project AUM growth rates, operating margins, and tax rates by comparing actual results to management's historical forecasts.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the Company's valuation methodology and assumptions, including the selection of the discount rate by: (1) tested the source information underlying the determination of the discount rate and the mathematical accuracy of the evaluation and (2) developed a range of independent estimates and compared those to the discount rate selected by management.
- We evaluated the impact of changes in management's forecasts from July 31, 2019, the annual impairment assessment date, to December 31, 2019.

/s/ Deloitte & Touche, LLP

New York, New York

February 28, 2020

We have served as the Company's auditor since 2002.

# BlackRock, Inc.
# Consolidated Statements of Financial Condition

| *(in millions, except shares and per share data)* | December 31, 2019 | December 31, 2018 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents[1] | **$ 4,829** | $ 6,488 |
| Accounts receivable | **3,179** | 2,657 |
| Investments[1] | **5,489** | 4,476 |
| Separate account assets | **102,844** | 90,285 |
| Separate account collateral held under securities lending agreements | **15,466** | 20,655 |
| Property and equipment (net of accumulated depreciation of $880 and $750 at December 31, 2019 and 2018, respectively) | **715** | 643 |
| Intangible assets (net of accumulated amortization of $185 and $244 at December 31, 2019 and 2018, respectively) | **18,369** | 17,839 |
| Goodwill | **14,562** | 13,526 |
| Other assets[1] | **3,169** | 3,004 |
| Total assets | **$ 168,622** | $ 159,573 |
| **Liabilities** | | |
| Accrued compensation and benefits | **$ 2,057** | $ 1,988 |
| Accounts payable and accrued liabilities | **1,167** | 1,292 |
| Borrowings | **4,955** | 4,979 |
| Separate account liabilities | **102,844** | 90,285 |
| Separate account collateral liabilities under securities lending agreements | **15,466** | 20,655 |
| Deferred income tax liabilities | **3,734** | 3,571 |
| Other liabilities[1] | **3,470** | 3,263 |
| Total liabilities | **133,693** | 126,033 |
| **Commitments and contingencies (Note 16)** | | |
| **Temporary equity** | | |
| Redeemable noncontrolling interests | **1,316** | 1,107 |
| **Permanent equity** | | |
| BlackRock, Inc. stockholders' equity | | |
| Common stock, $0.01 par value; Shares authorized: 500,000,000 at December 31, 2019 and 2018; Shares issued: 171,252,185 at December 31, 2019 and 2018; Shares outstanding: 154,375,780 and 157,553,501 at December 31, 2019 and 2018, respectively | **2** | 2 |
| Series B nonvoting participating preferred stock, $0.01 par value; Shares authorized: 150,000,000 at December 31, 2019 and 2018; Shares issued and outstanding: 823,188 at December 31, 2019 and 2018; | **—** | — |
| Series C nonvoting participating preferred stock, $0.01 par value; Shares authorized: 6,000,000 at December 31, 2019 and 2018; Shares issued and outstanding: 0 and 143,458 at December 31, 2019 and 2018, respectively | **—** | — |
| Additional paid-in capital | **19,186** | 19,168 |
| Retained earnings | **21,662** | 19,282 |
| Accumulated other comprehensive loss | **(571)** | (691) |
| Treasury stock, common, at cost (16,876,405 and 13,698,684 shares held at December 31, 2019 and 2018, respectively) | **(6,732)** | (5,387) |
| Total BlackRock, Inc. stockholders' equity | **33,547** | 32,374 |
| Nonredeemable noncontrolling interests | **66** | 59 |
| Total permanent equity | **33,613** | 32,433 |
| Total liabilities, temporary equity and permanent equity | **$ 168,622** | $ 159,573 |

(1) For 2019, cash and cash equivalents, investments, other assets and other liabilities include $131 million, $3,301 million, $68 million, and $820 million, respectively, related to consolidated variable interest entities ("VIEs"). For 2018, cash and cash equivalents, investments, other assets and other liabilities include $186 million, $2,680 million, $876 million, and $1,374 million, respectively, related to consolidated VIEs.

See accompanying notes to consolidated financial statements.

# BlackRock, Inc.
# Consolidated Statements of Income

| *(in millions, except shares and per share data)* | 2019 | 2018 | 2017 |
|---|---|---|---|
| **Revenue** | | | |
| Investment advisory, administration fees and securities lending revenue: | | | |
| Related parties | **$ 8,323** | $ 8,226 | $ 7,692 |
| Other third parties | **3,454** | 3,327 | 3,176 |
| Total investment advisory, administration fees and securities lending revenue | **11,777** | 11,553 | 10,868 |
| Investment advisory performance fees | **450** | 412 | 594 |
| Technology services revenue | **974** | 785 | 657 |
| Distribution fees | **1,069** | 1,155 | 1,183 |
| Advisory and other revenue | **269** | 293 | 298 |
| Total revenue | **14,539** | 14,198 | 13,600 |
| **Expense** | | | |
| Employee compensation and benefits | **4,470** | 4,320 | 4,253 |
| Distribution and servicing costs | **1,685** | 1,675 | 1,663 |
| Direct fund expense | **978** | 998 | 895 |
| General and administration | **1,758** | 1,638 | 1,446 |
| Restructuring charge | **—** | 60 | — |
| Amortization of intangible assets | **97** | 50 | 89 |
| Total expense | **8,988** | 8,741 | 8,346 |
| Operating income | **5,551** | 5,457 | 5,254 |
| **Nonoperating income (expense)** | | | |
| Net gain (loss) on investments | **342** | 1 | 161 |
| Interest and dividend income | **97** | 104 | 49 |
| Interest expense | **(203)** | (184) | (205) |
| Total nonoperating income (expense) | **236** | (79) | 5 |
| Income before income taxes | **5,787** | 5,378 | 5,259 |
| Income tax expense | **1,261** | 1,076 | 270 |
| Net income | **4,526** | 4,302 | 4,989 |
| Less: | | | |
| Net income (loss) attributable to noncontrolling interests | **50** | (3) | 37 |
| Net income attributable to BlackRock, Inc. | **$ 4,476** | $ 4,305 | $ 4,952 |
| **Earnings per share attributable to BlackRock, Inc. common stockholders:** | | | |
| Basic | **$ 28.69** | $ 26.86 | $ 30.54 |
| Diluted | **$ 28.43** | $ 26.58 | $ 30.12 |
| **Weighted-average common shares outstanding:** | | | |
| Basic | **156,014,343** | 160,301,116 | 162,160,601 |
| Diluted | **157,459,546** | 161,948,732 | 164,415,035 |

See accompanying notes to consolidated financial statements.

# BlackRock, Inc.
# Consolidated Statements of Comprehensive Income

| *(in millions)* | 2019 | 2018 | 2017 |
|---|---|---|---|
| **Net income** | **$ 4,526** | **$ 4,302** | **$ 4,989** |
| Other comprehensive income (loss): | | | |
| Foreign currency translation adjustments[(1)] | **120** | (253) | 284 |
| Other comprehensive income (loss) | **120** | (253) | 284 |
| Comprehensive income | **4,646** | 4,049 | 5,273 |
| Less: Comprehensive income (loss) attributable to noncontrolling interests | **50** | (3) | 37 |
| **Comprehensive income attributable to BlackRock, Inc.** | **$ 4,596** | **$ 4,052** | **$ 5,236** |

(1) Amounts for 2019 and 2018 include gains from a net investment hedge of $11 million (net of tax expense of $3 million) and $30 million (net of tax expense of $10 million), respectively. Amount for 2017 includes a loss from a net investment hedge of $64 million (net of tax benefit of $38 million).

See accompanying notes to consolidated financial statements.

# BlackRock, Inc.
# Consolidated Statements of Changes in Equity

| *(in millions)* | Additional Paid-in Capital[1] | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock Common | Total BlackRock Stockholders' Equity | Nonredeemable Noncontrolling Interests | Total Permanent Equity | Redeemable Noncontrolling Interests / Temporary Equity |
|---|---|---|---|---|---|---|---|---|
| December 31, 2016 | $ 19,339 | $ 13,650 | $ (716) | $ (3,185) | $ 29,088 | $ 52 | $ 29,140 | $ 194 |
| Net income | — | 4,952 | — | — | 4,952 | 2 | 4,954 | 35 |
| Dividends declared ($10.00 per share) | — | (1,662) | — | — | (1,662) | — | (1,662) | — |
| Stock-based compensation | 542 | — | — | — | 542 | — | 542 | — |
| PNC preferred stock capital contribution | 193 | — | — | — | 193 | — | 193 | — |
| Retirement of preferred stock | (193) | — | — | — | (193) | — | (193) | — |
| Issuance of common shares related to employee stock transactions | (626) | — | — | 639 | 13 | — | 13 | — |
| Employee tax withholdings related to employee stock transactions | — | — | — | (321) | (321) | — | (321) | — |
| Shares repurchased | — | — | — | (1,100) | (1,100) | — | (1,100) | — |
| Subscriptions (redemptions/distributions) — noncontrolling interest holders | — | — | — | — | — | (18) | (18) | 482 |
| Net consolidations (deconsolidations) of sponsored investment funds | — | — | — | — | — | 14 | 14 | (295) |
| Other comprehensive income (loss) | — | — | 284 | — | 284 | — | 284 | — |
| Adoption of new accounting pronouncement | 3 | (1) | — | — | 2 | — | 2 | — |
| December 31, 2017 | $ 19,258 | $ 16,939 | $ (432) | $ (3,967) | $ 31,798 | $ 50 | $ 31,848 | $ 416 |
| Net income | — | 4,305 | — | — | 4,305 | — | 4,305 | (3) |
| Dividends declared ($12.02 per share) | — | (1,968) | — | — | (1,968) | — | (1,968) | — |
| Stock-based compensation | 564 | — | — | — | 564 | — | 564 | — |
| PNC preferred stock capital contribution | 58 | — | — | — | 58 | — | 58 | — |
| Retirement of preferred stock | (58) | — | — | — | (58) | — | (58) | — |
| Issuance of common shares related to employee stock transactions | (652) | — | — | 667 | 15 | — | 15 | — |
| Employee tax withholdings related to employee stock transactions | — | — | — | (427) | (427) | — | (427) | — |
| Shares repurchased | — | — | — | (1,660) | (1,660) | — | (1,660) | — |
| Subscriptions (redemptions/distributions) — noncontrolling interest holders | — | — | — | — | — | 9 | 9 | 1,254 |
| Net consolidations (deconsolidations) of sponsored investment funds | — | — | — | — | — | — | — | (560) |
| Other comprehensive income (loss) | — | — | (253) | — | (253) | — | (253) | — |
| Adoption of new accounting pronouncement | — | 6 | (6) | — | — | — | — | — |
| December 31, 2018 | $ 19,170 | $ 19,282 | $ (691) | $ (5,387) | $ 32,374 | $ 59 | $ 32,433 | $ 1,107 |
| Net income | — | 4,476 | — | — | 4,476 | 7 | 4,483 | 43 |
| Dividends declared ($13.20 per share) | — | (2,096) | — | — | (2,096) | — | (2,096) | — |
| Stock-based compensation | 567 | — | — | — | 567 | — | 567 | — |
| PNC preferred stock capital contribution | 60 | — | — | — | 60 | — | 60 | — |
| Retirement of preferred stock | (60) | — | — | — | (60) | — | (60) | — |
| Issuance of common shares related to employee stock transactions | (549) | — | — | 566 | 17 | — | 17 | — |
| Employee tax withholdings related to employee stock transactions | — | — | — | (245) | (245) | — | (245) | — |
| Shares repurchased | — | — | — | (1,666) | (1,666) | — | (1,666) | — |
| Subscriptions (redemptions/distributions) — noncontrolling interest holders | — | — | — | — | — | 2 | 2 | 1,456 |
| Net consolidations (deconsolidations) of sponsored investment funds | — | — | — | — | — | (2) | (2) | (1,290) |
| Other comprehensive income (loss) | — | — | 120 | — | 120 | — | 120 | — |
| **December 31, 2019** | **$ 19,188** | **$ 21,662** | **$ (571)** | **$ (6,732)** | **$ 33,547** | **$ 66** | **$ 33,613** | **$ 1,316** |

(1) Amounts include $2 million of common stock at December 31, 2019, 2018, 2017 and 2016.

See accompanying notes to consolidated financial statements.

# BlackRock, Inc.
# Consolidated Statements of Cash Flows

| *(in millions)* | 2019 | 2018 | 2017 |
|---|---|---|---|
| **Operating activities** | | | |
| Net income | **$ 4,526** | $ 4,302 | $ 4,989 |
| Adjustments to reconcile net income to net cash provided by/(used in) operating activities: | | | |
| Depreciation and amortization | **405** | 220 | 240 |
| Stock-based compensation | **567** | 564 | 542 |
| Deferred income tax expense (benefit) | **17** | (226) | (1,221) |
| Contingent consideration fair value adjustments | **53** | 65 | 8 |
| Other gains | **(30)** | (50) | — |
| Net (gains) losses within consolidated sponsored investment products | **(254)** | 149 | (218) |
| Net (purchases) proceeds within consolidated sponsored investment products | **(1,746)** | (1,938) | (570) |
| (Earnings) losses from equity method investees | **(116)** | (94) | (122) |
| Distributions of earnings from equity method investees | **70** | 30 | 35 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | **(433)** | 4 | (521) |
| Investments, trading | **(21)** | 179 | 146 |
| Other assets | **141** | (223) | (173) |
| Accrued compensation and benefits | **58** | (230) | 276 |
| Accounts payable and accrued liabilities | **(111)** | 43 | 308 |
| Other liabilities | **(242)** | 280 | 231 |
| Net cash provided by/(used in) operating activities | **2,884** | 3,075 | 3,950 |
| **Investing activities** | | | |
| Purchases of investments | **(693)** | (327) | (489) |
| Proceeds from sales and maturities of investments | **417** | 449 | 166 |
| Distributions of capital from equity method investees | **136** | 24 | 32 |
| Net consolidations (deconsolidations) of sponsored investment funds | **(110)** | (51) | (60) |
| Acquisitions, net of cash acquired | **(1,510)** | (699) | (102) |
| Purchases of property and equipment | **(254)** | (204) | (155) |
| Net cash provided by/(used in) investing activities | **(2,014)** | (808) | (608) |
| **Financing activities** | | | |
| Proceeds from long-term borrowings | **992** | — | 697 |
| Repayments of long-term borrowings | **(1,000)** | — | (700) |
| Cash dividends paid | **(2,096)** | (1,968) | (1,662) |
| Repurchases of common stock | **(1,911)** | (2,087) | (1,421) |
| Net proceeds from (repayments of) borrowings by consolidated sponsored investment products | **111** | 40 | — |
| Net (redemptions/distributions paid)/subscriptions received from noncontrolling interest holders | **1,458** | 1,263 | 464 |
| Other financing activities | **(137)** | (13) | (8) |
| Net cash provided by/(used in) financing activities | **(2,583)** | (2,765) | (2,630) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | **54** | (93) | 192 |
| Net increase (decrease) in cash, cash equivalents and restricted cash | **(1,659)** | (591) | 904 |
| Cash, cash equivalents and restricted cash, beginning of year | **6,505** | 7,096 | 6,192 |
| Cash, cash equivalents and restricted cash, end of year | **$ 4,846** | $ 6,505 | $ 7,096 |
| **Supplemental disclosure of cash flow information:** | | | |
| Cash paid for: | | | |
| Interest | **$ 193** | $ 177 | $ 205 |
| Income taxes (net of refunds) | **$ 1,168** | $ 1,159 | $ 1,124 |
| **Supplemental schedule of noncash investing and financing transactions:** | | | |
| Issuance of common stock | **$ 549** | $ 652 | $ 626 |
| PNC preferred stock capital contribution | **$ 60** | $ 58 | $ 193 |
| Increase (decrease) in noncontrolling interests due to net consolidation (deconsolidation) of sponsored investment funds | **$ (1,292)** | $ (560) | $ (281) |

See accompanying notes to consolidated financial statements.

**1. Business Overview**

BlackRock, Inc. (together, with its subsidiaries, unless the context otherwise indicates, "BlackRock" or the "Company") is a leading publicly traded investment management firm providing a broad range of investment and technology services to institutional and retail clients worldwide.

BlackRock's diverse platform of alpha-seeking active, index and cash management investment strategies across asset classes enables the Company to tailor investment outcomes and asset allocation solutions for clients. Product offerings include single- and multi-asset portfolios investing in equities, fixed income, alternatives and money market instruments. Products are offered directly and through intermediaries in a variety of vehicles, including open-end and closed-end mutual funds, *iShares*® exchange-traded funds ("ETFs"), separate accounts, collective investment trusts and other pooled investment vehicles. BlackRock also offers technology services, including the investment and risk management technology platform, *Aladdin*®, Aladdin Wealth, eFront, Cachematrix and FutureAdvisor, as well as advisory services and solutions to a broad base of institutional and wealth management clients.

At December 31, 2019, The PNC Financial Services Group, Inc. ("PNC") held 22.0% of the Company's voting common stock and 22.4% of the Company's capital stock, which includes outstanding common and nonvoting preferred stock.

**2. Significant Accounting Policies**

***Basis of Presentation***

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and include the accounts of the Company and its controlled subsidiaries. Noncontrolling interests ("NCI") on the consolidated statements of financial condition represents the portion of consolidated sponsored investment funds in which the Company does not have direct equity ownership. Accounts and transactions between consolidated entities have been eliminated.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting periods. Actual results could differ from those estimates.
Certain prior period presentations and disclosures, while not required to be recast, were reclassified to ensure comparability with current period classifications. The prior year amounts related to the Company's consolidated variable interest entities have been reclassified to cash and cash equivalents, investments, other assets and other liabilities within the Company's consolidated statement of financial condition for consistency with the current year's presentation. In addition, conforming changes were made to the prior year amounts within the statements of cash flows and the related notes to the consolidated financial statements. The reclassifications had no effect on the previously reported total stockholders' equity, results of operations, or cash flows from operating, investing or financing activities.

***Accounting Pronouncements Adopted in 2019***

*Leases*. In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases*, and several amendments (collectively, "ASU 2016-02"), which requires lessees to recognize assets and liabilities arising from most operating leases on the consolidated statements of financial condition.

The Company adopted ASU 2016-02 on its effective date of January 1, 2019 on a modified retrospective basis and elected not to apply ASU 2016-02 to the comparative periods presented. Under this transition method, any cumulative effect adjustment is recognized in the opening balance of retained earnings in the period of adoption. The Company elected the package of practical expedients to alleviate certain operational complexities related to the adoption, which allowed the Company to carry forward the existing lease classification. The Company elected to account for lease and non-lease components as a single component for its leases. The Company also elected the short-term lease practical expedient. Consequently, leases with an initial term of 12 months or less are not recorded on the consolidated statement of financial condition. Upon adoption of ASU 2016-02, the Company recorded a net increase of approximately $0.7 billion in its assets and liabilities related to the right-of-use ("ROU") asset and lease liability for its operating leases. The adoption of ASU 2016-02 did not have a material impact on the consolidated statement of income or cash flows. See Note 13, *Leases*, for more information.

***Cash and Cash Equivalents***. Cash and cash equivalents primarily consists of cash, money market funds and short-term, highly liquid investments with original maturities of three months or less in which the Company is exposed to market and credit risk. Cash and cash equivalent balances that are legally restricted from use by the Company are recorded in other assets on the consolidated statements of financial condition. Cash balances maintained by consolidated VIEs and voting rights entities ("VREs") are not considered legally restricted and are included in cash and cash equivalents on the consolidated statements of financial condition.

***Investments***

*Investments in Debt Securities.* The Company classifies debt investments as available-for-sale, held-to-maturity or trading based on the Company's intent to sell the security or, its intent and ability to hold the debt security to maturity.

Available-for-sale securities are those securities that are not classified as trading or held-to-maturity. Available-for-sale securities include certain investments in collateralized loan obligations ("CLOs") and are carried at fair value on the consolidated statements of financial condition with changes in fair value recorded in accumulated other comprehensive income (loss) ("AOCI") within stockholders' equity in the period of the change. Upon the disposition of an available-for-sale security, the Company reclassifies the gain or loss on the security from AOCI to nonoperating income (expense) on the consolidated statements of income.

Held-to-maturity securities are purchased with the positive intent and ability to be held to maturity and are recorded at amortized cost on the consolidated statements of financial condition.

Trading securities are those investments that are purchased principally for the purpose of selling them in the near term. Trading securities are carried at fair value on the consolidated statements of financial condition with changes in fair value recorded in nonoperating income (expense) on the consolidated statements of income. Trading securities include certain investments in CLOs for which the fair value option is elected in order to reduce operational complexity of bifurcating embedded derivatives.

*Investments in Equity Securities.* Equity securities are generally carried at fair value on the consolidated statements of financial condition with changes in the fair value recorded through net income ("FVTNI") within nonoperating income (expense). For nonmarketable equity securities, the Company generally elects to apply the practicality exception to fair value measurement, under which such securities will be measured at cost, less impairment, plus or minus observable price changes for identical or similar securities of the same issuer with such changes recorded in the consolidated statements of income. Dividends received are recorded as dividend income within nonoperating income (expense).

*Equity Method.* The Company applies the equity method of accounting for equity investments where the Company does not consolidate the investee, but can exert significant influence over the financial and operating policies of the investee. The Company's share of the investee's underlying net income or loss is recorded as net gain (loss) on investments within nonoperating income (expense) and as other revenue for certain corporate minority investments since such investees are considered to be an extension of the Company's core business. The Company's share of net income of the investee is recorded based upon the most current information available at the time, which may precede the date of the consolidated statement of financial condition. Distributions received reduce the Company's carrying value of the investee and the cost basis if deemed to be a return of capital.

*Impairments of Investments.* Management periodically assesses equity method, available-for-sale and held-to-maturity investments for other-than-temporary impairment ("OTTI"). If an OTTI exists, an impairment charge would be recorded for the excess of the carrying amount of the investment over its estimated fair value in the consolidated statements of income.

For equity method investments and held-to-maturity investments, if circumstances indicate that an OTTI may exist, the investments are evaluated using market values, where available, or the expected future cash flows of the investment.

For the Company's investments in CLOs, the Company reviews cash flow estimates over the life of each CLO investment. On a quarterly basis, if the present value of the estimated future cash flows is lower than the carrying value of the investment and there is an adverse change in estimated cash flows, an impairment is considered to be other-than-temporary.

In addition, for nonmarketable equity securities that are accounted for under the measurement alternative to fair value, the Company applies the impairment model that does not require the Company to consider whether the impairment is other-than-temporary.

***Consolidation.*** The Company performs an analysis for investment products to determine if the product is a VIE or a VRE. Assessing whether an entity is a VIE or a VRE involves judgment and analysis. Factors considered in this assessment include the entity's legal organization, the entity's capital structure and equity ownership, and any related party or de facto agent implications of the Company's involvement with the entity. Investments that are determined to be VIEs are consolidated if the Company is the primary beneficiary ("PB") of the entity. VREs are typically consolidated if the Company holds the majority voting interest. Upon the occurrence of certain events (such as contributions and redemptions, either by the Company, or third parties, or amendments to the governing documents of the Company's investment products), management reviews and reconsiders its previous conclusion regarding the status of an entity as a VIE or a VRE. Additionally, management continually reconsiders whether the Company is deemed to be a VIE's PB that consolidates such entity.

*Consolidation of Variable Interest Entities*. Certain investment products for which a controlling financial interest is achieved through arrangements that do not involve or are not directly linked to voting interests are deemed VIEs. BlackRock reviews factors, including whether or not i) the entity has equity at risk that is sufficient to permit the entity to finance its activities without additional subordinated support from other parties and ii) the equity holders at risk have the obligation to absorb losses, the right to receive residual returns, and the right to direct the activities of the entity that most significantly impact the entity's economic performance, to determine if the investment product is a VIE. BlackRock re-evaluates such factors as facts and circumstances change.

The PB of a VIE is defined as the variable interest holder that has a controlling financial interest in the VIE. A controlling financial interest is defined as (i) the power to direct the activities of the VIE that most significantly impact its economic performance and (ii) the obligation to absorb losses of the entity or the right to receive benefits from the entity that potentially could be significant to the VIE. The Company generally consolidates VIEs in which it holds an economic interest of 10% or greater and deconsolidates such VIEs once equity ownership falls below 10%.

*Consolidation of Voting Rights Entities.* BlackRock is required to consolidate an investee to the extent that BlackRock can exert control over the financial and operating policies of the investee, which generally exists if there is a greater than 50% voting equity interest.

*Retention of Specialized Investment Company Accounting Principles.* Upon consolidation of sponsored investment funds, the Company retains the specialized investment company accounting principles of the underlying funds. All of the underlying investments held by such consolidated sponsored investment funds are carried at fair value with corresponding changes in the investments' fair values reflected in nonoperating income (expense) on the consolidated statements of income. When the Company no longer controls these funds due to reduced ownership percentage or other reasons, the funds are deconsolidated and accounted for as an equity method investment or equity securities FVTNI if the Company still maintains an investment.

***Separate Account Assets and Liabilities.*** Separate account assets are maintained by BlackRock Life Limited, a wholly owned subsidiary of the Company, which is a registered life insurance company in the United Kingdom, and represent segregated assets held for purposes of funding individual and group pension contracts. The life insurance company does not underwrite any insurance contracts that involve any insurance risk transfer from the insured to the life insurance company. The separate account assets primarily include equity securities, debt securities, money market funds and derivatives. The separate account assets are not subject to general claims of the creditors of BlackRock. These separate account assets and the related equal and offsetting liabilities are recorded as separate account assets and separate account liabilities on the consolidated statements of financial condition.

The net investment income attributable to separate account assets supporting individual and group pension contracts accrues directly to the contract owner and is not reported on the consolidated statements of income. While BlackRock has no economic interest in these separate account assets and liabilities, BlackRock earns policy administration and management fees associated with these products, which are included in investment advisory, administration fees and securities lending revenue on the consolidated statements of income.

***Separate Account Collateral Assets Held and Liabilities Under Securities Lending Agreements.*** The Company facilitates securities lending arrangements whereby securities held by separate accounts maintained by BlackRock Life Limited are lent to third parties under global master securities lending agreements. In exchange, the Company receives legal title to the collateral with minimum values generally ranging from approximately 102% to 112% of the value of the securities lent in order to reduce counterparty risk. The required collateral value is calculated on a daily basis. The global master securities lending agreements provide the Company the right to request additional collateral or, in the event of borrower default, the right to liquidate collateral. The securities lending transactions entered into by the Company are accompanied by an agreement that entitles the Company to request the borrower to return the securities at any time; therefore, these transactions are not reported as sales.

The Company records on the consolidated statements of financial condition the cash and noncash collateral received under these BlackRock Life Limited securities lending arrangements as its own asset in addition to an equal and offsetting collateral liability for the obligation to return the collateral. The securities lending revenue earned from lending securities held by the separate accounts is included in investment advisory, administration fees and securities lending revenue on the consolidated statements of income. During 2019 and 2018, the Company had not resold or repledged any of the collateral received under these arrangements. At December 31, 2019 and 2018, the fair value of loaned securities held by separate accounts was approximately $14.4 billion and $18.9 billion, respectively, and the fair value of the collateral held under these securities lending agreements was approximately $15.5 billion and $20.7 billion, respectively.

***Property and Equipment***. Property and equipment are recorded at cost less accumulated depreciation. Depreciation is generally determined by cost less any estimated residual value using the straight-line method over the estimated useful lives of the various classes of property and equipment. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life or the remaining lease term.

The Company capitalizes certain costs incurred in connection with developing or obtaining software within property and equipment. Capitalized software costs are amortized, beginning when the software product is ready for its intended use, over the estimated useful life of the software of approximately three years.

***Goodwill and Intangible Assets***. Goodwill represents the cost of a business acquisition in excess of the fair value of the net assets acquired. The Company has determined that it has one reporting unit for goodwill impairment testing purposes, the consolidated BlackRock single operating segment, which is consistent with internal management reporting and management's oversight of operations. In its assessment of goodwill for impairment, the Company considers such factors as the book value and market capitalization of the Company.

On a quarterly basis, the Company considers if triggering events have occurred that may indicate a potential goodwill impairment. If a triggering event has occurred, the Company performs assessments, which may include reviews of significant valuation assumptions, to determine if goodwill may be impaired. The Company performs an impairment assessment of its goodwill at least annually, as of July 31st.

Intangible assets are comprised of indefinite-lived intangible assets and finite-lived intangible assets acquired in a business acquisition. The value of contracts to manage assets in proprietary open-end funds and collective trust funds and certain other commingled products without a specified termination date is generally classified as indefinite-lived intangible assets. The assignment of indefinite lives to such contracts primarily is based upon the following: (i) the assumption that there is no foreseeable limit on the contract period to manage these products; (ii) the Company expects to, and has the ability to, continue to operate these products indefinitely; (iii) the products have multiple investors and are not reliant on a single investor or small group of investors for their continued operation; (iv) current competitive factors and economic conditions do not indicate a finite life; and (v) there is a high likelihood of continued renewal based on historical experience. In addition, trade names/trademarks are considered indefinite-lived intangible assets when they are expected to generate cash flows indefinitely.

Indefinite-lived intangible assets and goodwill are not amortized. Finite-lived management contracts, which relate to acquired separate accounts and funds and investor/customer relationships, and technology-related assets that are expected to contribute to the future cash flows of the Company for a specified period of time, are amortized over their remaining useful lives.

The Company performs assessments to determine if any intangible assets are potentially impaired and whether the indefinite-lived and finite-lived classifications are still appropriate at least annually, as of July 31st. The carrying value of finite-lived assets and their remaining useful lives are reviewed at least annually to determine if circumstances exist which may indicate a potential impairment or revisions to the amortization period.

In evaluating whether it is more likely than not that the fair value of indefinite-lived intangibles is less than its carrying value, BlackRock assesses various significant qualitative factors, including assets under management ("AUM"), revenue basis points, projected AUM growth rates, operating margins, tax rates and discount rates. In addition, the Company considers other factors, including (i) macroeconomic conditions such as a deterioration in general economic conditions, limitations on accessing capital, fluctuations in foreign exchange rates, or other developments in equity and credit markets; (ii) industry and market considerations such as a deterioration in the environment in which the entity operates, an increased competitive environment, a decline in market-dependent multiples or metrics, a change in the market for an entity's services, or regulatory, legal or political developments; and (iii) entity-specific events, such as a change in management or key personnel, overall financial performance and litigation that could affect significant inputs used to determine the fair value of the indefinite-lived intangible asset. If an indefinite-lived intangible is determined to be more likely than not impaired, then the fair value of the asset is compared with its carrying value and any excess of the carrying value over the fair value would be recognized as an expense in the period in which the impairment occurs.

For finite-lived intangible assets, if potential impairment circumstances are considered to exist, the Company will perform a recoverability test using an undiscounted cash flow analysis. Actual results could differ from these cash flow estimates, which could materially impact the impairment conclusion. If the carrying value of the asset is determined not to be recoverable based on the undiscounted cash flow test, the difference between the carrying value of the asset and its current fair value would be recognized as an expense in the period in which the impairment occurs.

***Noncontrolling Interests.*** The Company reports noncontrolling interests as equity, separate from the parent's equity, on the consolidated statements of financial condition. In addition, the Company's consolidated net income on the consolidated statements of income includes the income (loss) attributable to noncontrolling interest holders of the Company's consolidated sponsored investment products. Income (loss) attributable to noncontrolling interests is not adjusted for income taxes for consolidated sponsored investment products that are treated as pass-through entities for tax purposes.

***Classification and Measurement of Redeemable Securities.*** The Company includes redeemable noncontrolling interests related to certain consolidated sponsored investment products in temporary equity on the consolidated statements of financial condition.

***Treasury Stock***. The Company records common stock purchased for treasury at cost. At the date of subsequent reissuance, the treasury stock account is reduced by the cost of such stock using the average cost method.

***Revenue Recognition.*** Revenue is recognized upon transfer of control of promised services to customers in an amount to which the Company expects to be entitled in exchange for those services. The Company enters into contracts that can include multiple services, which are accounted for separately if they are determined to be distinct. Consideration for the Company's services is generally in the form of variable consideration because the amount of fees is subject to market conditions that are outside of the Company's influence. The Company includes variable consideration in revenue when it is no longer probable of significant reversal, i.e. when the associated uncertainty is resolved. For some contracts with customers, the Company has discretion to involve a third party in providing services to the customer. Generally, the Company is deemed to be the principal in these arrangements because the Company controls the promised services before they are transferred to customers, and accordingly presents the revenue gross of related costs.

*Investment Advisory, Administration Fees and Securities Lending Revenue.* Investment advisory and administration fees are recognized as the services are performed over time because the customer is receiving and consuming the benefits as they are provided by the Company. Fees are primarily based on agreed-upon percentages of AUM and recognized for services provided during the period, which are distinct from services provided in other periods. Such fees are affected by changes in AUM, including market appreciation or depreciation, foreign exchange translation and net inflows or outflows. Investment advisory and administration fees for investment funds are shown net of fee waivers. In addition, the Company may contract with third parties to provide sub-advisory services on its behalf. The Company presents the investment advisory fees and associated costs to such third-party advisors on a gross basis where it is deemed to be the principal and on a net basis where it is deemed to be the agent. Management judgment involved in making these assessments is focused on ascertaining whether the Company is primarily responsible for fulfilling the promised service.

The Company earns revenue by lending securities on behalf of clients, primarily to highly rated banks and broker-dealers. Revenue is recognized over time as services are performed. Generally, the securities lending fees are shared between the Company and the funds or other third-party accounts managed by the Company from which the securities are borrowed.

*Investment Advisory Performance Fees / Carried Interest.* The Company receives investment advisory performance fees, including incentive allocations (carried interest) from certain actively managed investment funds and certain separately managed accounts. These performance fees are dependent upon exceeding specified relative or absolute investment return thresholds, which may vary by product or account, and include monthly, quarterly, annual or longer measurement periods.

Performance fees, including carried interest, are recognized when it is determined that they are no longer probable of significant reversal (such as upon the sale of a fund's investment or when the amount of AUM becomes known as of the end of a specified measurement period). Given the unique nature of each fee arrangement, contracts with customers are evaluated on an individual basis to determine the timing of revenue recognition. Significant judgement is involved in making such determination. Performance fees typically arise from investment management services that began in prior reporting periods. Consequently, a portion of the fees the Company recognizes may be partially related to the services performed in prior periods that meet the recognition criteria in the current period. At each reporting date, the Company considers various factors in estimating performance fees to be recognized, including carried interest. These factors include but are not limited to whether: (1) the fees are dependent on the market and thus are highly susceptible to factors outside the Company's influence; (2) the fees have a large number and a broad range of possible amounts; and (3) the funds or separately managed accounts have the ability to invest or reinvest their sales proceeds.

The Company is allocated carried interest from certain alternative investment products upon exceeding performance thresholds. The Company may be required to reverse/return all, or part, of such carried interest allocations/distributions depending upon future performance of these funds. Carried interest subject to such clawback provisions is recorded in investments or cash and cash equivalents to the extent that it is distributed, on its consolidated statements of financial condition.

The Company records a liability for deferred carried interest to the extent it receives cash or capital allocations related to carried interest prior to meeting the revenue recognition criteria. A portion of the deferred carried interest may also be paid to certain employees. The ultimate timing of the recognition of performance fee revenue and related compensation expense, if any, for these products is unknown.

*Technology services revenue.* The Company offers investment management technology systems, risk management services, wealth management and digital distribution tools, all on a fee basis. Clients include banks, insurance companies, official institutions, pension funds, asset managers, retail distributors and other investors. Fees earned for technology services are primarily recorded as services are performed over time and are generally determined using the value of positions on the *Aladdin* platform, or a fixed-rate basis. Revenue derived from the sale of software licenses is recognized upon the granting of access rights.

*Distribution Fees.* The Company earns distribution and service fees for distributing investment products and providing ongoing shareholder support services to investment portfolios. Distribution fees are passed-through to third-party distributors, which perform various fund distribution services and shareholder servicing of certain funds on the Company's behalf, and are recognized as distribution and servicing costs. The Company presents distribution fees and related distribution and servicing costs incurred on a gross basis.

Distribution fees primarily consist of ongoing distribution fees, shareholder servicing fees and upfront sales commissions for serving as the principal underwriter and/or distributor for certain managed mutual funds. The service of distribution is satisfied at the point in time when an investor makes an investment in a share class of the managed mutual funds. Fees are generally considered variable consideration because they are based on the value of AUM and are uncertain on trade date. Accordingly, the Company recognizes distribution fees over the investment period as the amounts become known and the portion recognized in the current period may relate to distribution services performed in prior periods. Upfront sales commissions are recognized on a trade date basis. Shareholder servicing fees are based on AUM and recognized in revenue as the services are performed.

*Advisory and other revenue.* Advisory and other revenue primarily includes fees earned for advisory services, fees earned for transition management services primarily comprised of commissions recognized in connection with buying and selling securities on behalf of customers, and equity method investment earnings related to certain corporate minority investments.

Advisory services fees are determined using fixed-rate fees and are recognized over time as the related services are completed.

Commissions related to transition management services are recorded on a trade-date basis as transactions occur.

***Stock-based Compensation***. The Company recognizes compensation cost for equity classified awards based on the grant-date fair value of the award. The compensation cost is recognized over the period during which an employee is required to provide service (usually the vesting period) in exchange for the stock-based award.

The Company measures the grant-date fair value of restricted stock units ("RSUs") using the Company's share price on the date of grant. For employee share options and instruments with market conditions, the Company uses pricing models. Stock option awards may have performance, market and/or service conditions. If an equity award is modified after the grant-date, incremental compensation cost is recognized for an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification. Awards under the Company's stock-based compensation plans vest over various periods. Compensation cost is recorded by the Company on a straight-line basis over the requisite service period for each separate vesting portion of the award as if the award is, in-substance, multiple awards and is adjusted for actual forfeitures as they occur.

The Company amortizes the grant-date fair value of stock-based compensation awards made to retirement-eligible employees over the requisite service period. Upon notification of retirement, the Company accelerates the unamortized portion of the award over the contractually required retirement notification period.

The Company recognizes all excess tax benefits and deficiencies in income tax expense on the consolidated statements of income, which results in volatility of income tax expense as a result of fluctuations in the Company's stock price. Accordingly, the Company recorded a discrete income tax benefit of $23 million, $64 million and $151 million during 2019, 2018 and 2017, respectively, for vested RSUs where the grant date stock price was lower than the vesting date stock price. The Company accounts for forfeitures as they occur.

***Distribution and Servicing Costs***. Distribution and servicing costs include payments to third parties, primarily associated with distribution and servicing of client investments in certain BlackRock products. Distribution and servicing costs are expensed when incurred.

***Direct Fund Expense***. Direct fund expense, which is expensed as incurred, primarily consists of third-party nonadvisory expense incurred by BlackRock related to certain funds for the use of certain index trademarks, reference data for certain indices, custodial services, fund administration, fund accounting, transfer agent services, shareholder reporting services, audit and tax services as well as other fund-related expense directly attributable to the nonadvisory operations of the fund.

***Leases***. The Company determines if a contract is a lease or contains a lease at inception. The Company accounts for its office facility leases as operating leases, which may include escalation clauses that are based on an index or market rate. The Company accounts for lease and non-lease components as a single component for its leases. The Company elected the short-term lease exception for leases with an initial term of 12 months or less. Consequently, such leases are not recorded on the consolidated statement of financial condition. The Company's lease terms include options to extend or terminate the lease when it is reasonably certain they will be exercised or not, respectively.

Fixed lease payments are included in ROU assets and lease liabilities within other assets and other liabilities, respectively, on the consolidated statement of financial condition. ROU assets and lease liabilities are recognized based on the present value of these future lease payments over the lease term at the commencement date using the Company's incremental borrowing rate as the discount rate. Fixed lease payments made over the lease term are recorded as lease expense on a straight-line basis. Variable lease payments based on usage, changes in an index or market rate are expensed as incurred.

Upon adoption of ASU 2016-02, for existing leases, the Company elected to determine the discount rate based on the remaining lease term as of January 1, 2019 and for lease payments based on an index or rate to apply the rate at commencement date. For new leases, the discount rates are based on the entire noncancelable lease term.

***Foreign Exchange***. Foreign currency transactions are recorded at the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities that are denominated in foreign currencies are subsequently remeasured into the functional currencies of the Company's subsidiaries at the rates prevailing at each balance sheet date. Gains and losses arising on remeasurement are included in general and administration expense on the consolidated statements of income. Revenue and expenses are translated at average exchange rates during the period. Gains or losses resulting from translating foreign currency financial statements into US dollars are included in AOCI, a separate component of stockholders' equity, on the consolidated statements of financial condition.

***Income Taxes***. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using currently enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized on the consolidated statements of income in the period that includes the enactment date.

Management periodically assesses the recoverability of its deferred income tax assets based upon expected future earnings, taxable income in prior carryback years, future deductibility of the asset, changes in applicable tax laws and other factors. If management determines that it is not more likely than not that the deferred tax asset will be fully recoverable in the future, a valuation allowance will be established for the difference between the asset balance and the amount expected to be recoverable in the future. This allowance will result in additional income tax expense. Further, the Company records its income taxes receivable and payable based upon its estimated income tax position.

Excess tax benefits related to stock-based compensation are recognized as an income tax benefit on the consolidated statements of income and are reflected as operating cash flows on the consolidated statements of cash flows.

***Earnings per Share ("EPS")***. Basic EPS is calculated by dividing net income applicable to common shareholders by the weighted-average number of shares outstanding during the period. Diluted EPS includes the determinants of basic EPS and common stock equivalents outstanding during the period. Diluted EPS is computed using the treasury stock method.

Due to the similarities in terms between BlackRock's nonvoting participating preferred stock and the Company's common stock, the Company considers its nonvoting participating preferred stock to be a common stock equivalent for purposes of EPS calculations. As such, the Company has included the outstanding nonvoting participating preferred stock in the calculation of average basic and diluted shares outstanding.

***Business Segments***. The Company's management directs BlackRock's operations as one business, the asset management business. The Company utilizes a consolidated approach to assess performance and allocate resources. As such, the Company operates in one business segment.

***Fair Value Measurements***

*Hierarchy of Fair Value Inputs.* The Company uses a fair value hierarchy that prioritizes inputs to valuation approaches used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 Inputs:

Quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date.

- Level 1 assets may include listed mutual funds, ETFs, listed equities and certain exchange-traded derivatives.

Level 2 Inputs:

Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; quotes from pricing services or brokers for which the Company can determine that orderly transactions took place at the quoted price or that the inputs used to arrive at the price are observable; and inputs other than quoted prices that are observable, such as models or other valuation methodologies.

- Level 2 assets may include debt securities, investments in CLOs, bank loans, short-term floating-rate notes, asset-backed securities, securities held within consolidated hedge funds, restricted public securities valued at a discount, as well as over-the-counter derivatives, including interest and inflation rate swaps and foreign currency exchange contracts that have inputs to the valuations that generally can be corroborated by observable market data.

Level 3 Inputs:

Unobservable inputs for the valuation of the asset or liability, which may include nonbinding broker quotes. Level 3 assets include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation.

- Level 3 assets may include direct private equity investments held within consolidated funds, investments in CLOs and bank loans of a consolidated CLO.
- Level 3 liabilities include contingent liabilities related to acquisitions valued based upon discounted cash flow analyses using unobservable market data and borrowings of a consolidated CLO.

*Significance of Inputs.* The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

*Valuation Approaches.* The fair values of certain Level 3 assets and liabilities were determined using various valuation approaches as appropriate, including third-party pricing vendors, broker quotes and market and income approaches.

A significant number of inputs used to value equity, debt securities, investments in CLOs and bank loans is sourced from third-party pricing vendors. Generally, prices obtained from pricing vendors are categorized as Level 1 inputs for identical securities traded in active markets and as Level 2 for other similar securities if the vendor uses observable inputs in determining the price.

In addition, quotes obtained from brokers generally are nonbinding and categorized as Level 3 inputs. However, if the Company is able to determine that market participants have transacted for the asset in an orderly manner near the quoted price or if the Company can determine that the inputs used by the broker are observable, the quote is classified as a Level 2 input.

*Investments Measured at NAV.* As a practical expedient, the Company uses net asset value ("NAV") as the fair value for certain investments. The inputs to value these investments may include the Company's capital accounts for its partnership interests in various alternative investments, including hedge funds, real assets and private equity funds, which may be adjusted by using the returns of certain market indices. The various partnerships generally are investment companies, which record their underlying investments at fair value based on fair value policies established by management of the underlying fund. Fair value policies at the underlying fund generally require the fund to utilize pricing/valuation information from third-party sources, including independent appraisals. However, in some instances, current valuation information for illiquid securities or securities in markets that are not active may not be available from any third-party source or fund management may conclude that the valuations that are available from third-party sources are not reliable. In these instances, fund management may perform model-based analytical valuations that could be used as an input to value these investments.

*Fair Value Assets and Liabilities of Consolidated CLO.* The Company applies the fair value option provisions for eligible assets, including bank loans, held by a consolidated CLO. As the fair value of the financial assets of the consolidated CLO is more observable than the fair value of the borrowings of the consolidated CLO, the Company measures the fair value of the borrowings of the consolidated CLO as the fair value of the assets of the consolidated CLO less the fair value of the Company's economic interest in the CLO.

***Derivatives and Hedging Activities***. The Company does not use derivative financial instruments for trading or speculative purposes. The Company uses derivative financial instruments primarily for purposes of hedging exposures to fluctuations in foreign currency exchange rates of certain assets and liabilities, and market exposures for certain seed investments. However, certain consolidated sponsored investment funds may also utilize derivatives as a part of their investment strategy.

Changes in the fair value of the Company's derivative financial instruments are recognized in earnings and, where applicable, are offset by the corresponding gain or loss on the related foreign-denominated assets or liabilities or hedged investments, on the consolidated statements of income.

The Company may also use financial instruments designated as net investment hedges for accounting purposes to hedge net investments in international subsidiaries whose functional currency is not US dollars. The gain or loss from revaluing accounting hedges of net investments in foreign operations at the spot rate is deferred and reported within AOCI on the consolidated statements of financial condition. Amounts excluded from the effectiveness assessment are reported in the consolidated statements of income using a systematic and rational method. The Company reassesses the effectiveness of its net investment hedge at least quarterly.

***Recent Accounting Pronouncements Not Yet Adopted in 2019***

*Measurement of Credit Losses.* In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which significantly changes the accounting and disclosures for credit losses for most financial assets. The new guidance requires an estimate of expected lifetime credit losses and eliminates the existing recognition thresholds under current models. The adoption of ASU 2016-13, which was effective for the Company on January 1, 2020, did not have a material impact on its consolidated financial statements.

**3. Acquisition**

On May 10, 2019, the Company acquired 100% of the equity interests of eFront Holding SAS ("eFront Transaction" or "eFront"), a leading alternative investment management software and solutions provider for approximately $1.3 billion, excluding the settlement of eFront's outstanding debt. The acquisition of eFront expands *Aladdin*'s illiquid alternative capabilities and enables BlackRock to provide individual alternative or whole-portfolio technology solutions to clients.

The purchase price was funded through a combination of existing cash and issuance of commercial paper (subsequently repaid with existing cash) and long-term notes in April 2019. See Note 15, *Borrowings*, for information on the debt issuance in April 2019.

The purchase price for the eFront Transaction was allocated to the assets acquired and liabilities assumed based upon their estimated fair values at the date of the transaction. The goodwill recognized in connection with the acquisition is non-deductible for tax purposes and is primarily attributable to anticipated synergies from the transaction.

Goodwill, finite-lived intangible assets and deferred income tax liabilities were retrospectively adjusted to reflect new information obtained about facts that existed as of May 10, 2019, the eFront acquisition date. There was no material change to the consolidated statements of income for the year ended December 31, 2019 as a result of these adjustments. A summary of the initial and revised fair values of the assets acquired and liabilities assumed in this acquisition is as follows[1]:

| *(in millions)* | Initial Estimate of Fair Value | Revised Estimate of Fair Value |
|---|---|---|
| Accounts receivable | **$ 65** | **$ 61** |
| Finite-lived intangible assets: | | |
| Customer relationships[2] | **452** | **400** |
| Technology-related[3] | **205** | **203** |
| Trade name[4] | **21** | **14** |
| Goodwill | **990** | **1,044** |
| Other assets | **31** | **49** |
| Deferred income tax liabilities | **(194)** | **(146)** |
| Other liabilities assumed | **(64)** | **(125)** |
| Total consideration, net of cash acquired | **$ 1,506** | **$ 1,500** |
| | | |
| Summary of consideration, net of cash acquired: | | |
| Cash paid including settlement of outstanding debt of approximately $0.2 billion | **$ 1,555** | **$ 1,555** |
| Cash acquired | **(49)** | **(55)** |
| Total consideration, net of cash acquired | **$ 1,506** | **$ 1,500** |

(1) At this time, the Company does not expect additional material changes to the value of the assets acquired or liabilities assumed in conjunction with the transaction.
(2) The fair value was determined based on the excess earnings method (a Level 3 input), has a weighted-average estimated useful life of approximately 10 years and is amortized using the accelerated amortization method.
(3) The fair value was determined based upon a relief from royalty method (a Level 3 input), has a weighted-average estimated useful life of approximately eight years and is amortized using the accelerated amortization method.
(4) The fair value was determined using a relief from royalty method (a Level 3 input), has an estimated useful life of approximately four years and is amortized using the accelerated amortization method.

Finite-lived intangible assets in the table above are amortized over their estimated useful lives, which range from four to 10 years. Amortization expense related to the finite-lived intangible assets was $38 million for the year ended December 31, 2019. The finite-lived intangible assets had a weighted-average remaining useful life of approximately nine years with remaining amortization expense as follows:

| *(in millions)* Year | Amount |
|---|---|
| 2020 | $ 60 |
| 2021 | 64 |
| 2022 | 68 |
| 2023 | 69 |
| 2024 | 71 |
| Thereafter | 247 |
| Total | $ 579 |

For the year ended December 31, 2019, eFront contributed $96 million of revenue and did not have a material impact to net income attributable to BlackRock, Inc. Consequently, the Company has not presented pro forma combined results of operations for this acquisition.

**4. Cash, Cash Equivalents and Restricted Cash**

The following table provides a reconciliation of cash and cash equivalents reported within the consolidated statements of financial condition to the cash, cash equivalents, and restricted cash reported within the consolidated statements of cash flows.

| *(in millions)* | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Cash and cash equivalents | **$ 4,829** | $ 6,488 |
| Restricted cash included in other assets | **17** | 17 |
| Total cash, cash equivalents and restricted cash | **$ 4,846** | $ 6,505 |

## 5. Investments

A summary of the carrying value of total investments is as follows:

| *(in millions)* | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Debt securities: | | |
| Held-to-maturity investments | **$ 249** | $ 188 |
| Trading securities | **1,249** | 1,660 |
| Total debt securities | **1,498** | 1,848 |
| Equity securities at FVTNI | **1,926** | 1,021 |
| Equity method investments[1] | **943** | 781 |
| Bank loans | **204** | 84 |
| Federal Reserve Bank stock[2] | **93** | 92 |
| Carried interest[3] | **528** | 387 |
| Other investments[4] | **297** | 263 |
| Total investments | **$ 5,489** | $ 4,476 |

(1) Equity method investments primarily include BlackRock's direct investments in certain BlackRock sponsored investment funds.
(2) At both December 31, 2019 and 2018, there were no indicators of impairment of Federal Reserve Bank stock, which is held for regulatory purposes and is restricted from sale.
(3) Carried interest of consolidated sponsored investment funds represents allocations to BlackRock's general partner capital accounts from certain funds. These balances are subject to change upon cash distributions, additional allocations or reallocations back to limited partners within the respective funds.
(4) Other investments include BlackRock's investments in nonmarketable equity securities, which are measured at cost, adjusted for observable price changes and private equity and real assets investments of consolidated sponsored investment products.

### *Available-for-Sale Investments*

A summary of sale activity of available-for-sale during 2019, 2018 and 2017 is shown below.

| | Year ended December 31, | | |
|---|---|---|---|
| *(in millions)* | 2019 | 2018 | 2017 |
| Sales proceeds | **$ —** | $ 173 | $ — |
| Net realized gain (loss): | | | |
| Gross realized gains | **$ —** | $ — | $ — |
| Gross realized losses | **—** | — | — |
| Net realized gain (loss) | **$ —** | $ — | $ — |

There were no available-for-sale investments at both December 31, 2019 and 2018.

### *Held-to-Maturity Investments*

The carrying value of held-to-maturity investments was $249 million and $188 million at December 31, 2019 and 2018, respectively. Held-to-maturity investments included certain investments in BlackRock sponsored CLOs and foreign government debt held primarily for regulatory purposes. The amortized cost (carrying value) of these investments approximated fair value (primarily a Level 2 input). At December 31, 2019, $80 million of these investments mature between five years to ten years and $169 million mature after ten years.

### *Equity and Trading Debt Securities*

A summary of the cost and carrying value of equity and trading debt securities is as follows:

| | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| *(in millions)* | Cost | Carrying Value | Cost | Carrying Value |
| Trading debt securities: | | | | |
| Corporate debt | **$ 822** | **$ 844** | $ 800 | $ 798 |
| Government debt | **268** | **269** | 771 | 756 |
| Asset/mortgage backed debt | **141** | **136** | 115 | 106 |
| Total trading debt securities | **$ 1,231** | **$ 1,249** | $ 1,686 | $ 1,660 |
| Equity securities at FVTNI: | | | | |
| Deferred compensation plan mutual funds | **$ 6** | **$ 23** | $ 21 | $ 34 |
| Equity securities/multi-asset mutual funds | **1,763** | **1,903** | 995 | 987 |
| Total equity securities at FVTNI | **$ 1,769** | **$ 1,926** | $ 1,016 | $ 1,021 |

## 6. Consolidated Sponsored Investment Products

The Company consolidates certain sponsored investment funds accounted for as VREs because it is deemed to control such funds.

In the normal course of business, the Company is the manager of various types of sponsored investment vehicles, which may be considered VIEs. The Company may from time to time own equity or debt securities or enter into derivatives with the vehicles, each of which are considered variable interests. The Company's involvement in financing the operations of the VIEs is generally limited to its investments in the entity. The Company's consolidated VIEs include certain sponsored investment products in which BlackRock has an investment and as the investment manager, is deemed to have both the power to direct the most significant activities of the products and the right to receive benefits (or the obligation to absorb losses) that could potentially be significant to these sponsored investment products. The assets of these VIEs are not available to creditors of the Company. In addition, the investors in these VIEs have no recourse to the credit of the Company.

The following table presents the balances related to these consolidated sponsored investment products accounted for as VIEs and VREs that were recorded on the consolidated statements of financial condition, including BlackRock's net interest in these products:

| | December 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| *(in millions)* | **VIEs** | **VREs** | **Total** | **VIEs** | **VREs** | **Total** |
| Cash and cash equivalents | **$ 131** | **$ 10** | **$ 141** | $ 186 | $ 59 | $ 245 |
| Investments: | | | | | | |
| Trading debt securities | **1,059** | **151** | **1,210** | 1,395 | 233 | $ 1,628 |
| Equity securities at FVTNI | **1,330** | **332** | **1,662** | 569 | 291 | 860 |
| Bank loans | **204** | **—** | **204** | 84 | — | 84 |
| Other investments | **194** | **—** | **194** | 263 | — | 263 |
| Carried interest | **514** | **—** | **514** | 369 | — | 369 |
| Total investments | **3,301** | **483** | **3,784** | 2,680 | 524 | 3,204 |
| Other assets | **68** | **5** | **73** | 876 | 8 | 884 |
| Other liabilities[1] | **(820)** | **(20)** | **(840)** | (1,374) | (53) | (1,427) |
| Noncontrolling interests | **(1,348)** | **(34)** | **(1,382)** | (1,076) | (90) | (1,166) |
| BlackRock's net interest in consolidated investment products | **$ 1,332** | **$ 444** | **$ 1,776** | $ 1,292 | $ 448 | $ 1,740 |

(1) At December 31, 2019 and 2018, other liabilities of VIEs include $195 million and $84 million, respectively, related to borrowings of a consolidated CLO.

BlackRock's total exposure to consolidated sponsored investment products represents the value of its economic ownership interest in these sponsored investment products. Valuation changes associated with investments held at fair value by these consolidated sponsored investment products are reflected in nonoperating income (expense) and partially offset in net income (loss) attributable to noncontrolling interests for the portion not attributable to BlackRock.

The Company cannot readily access cash and cash equivalents held by consolidated sponsored investment products to use in its operating activities.

Net gain (loss) related to consolidated VIEs is presented in the following table:

| *(in millions)* | **2019** | **2018** | **2017** |
|---|---|---|---|
| Nonoperating net gain (loss) on consolidated VIEs | **$ 210** | $ (105) | $ 118 |
| Net income (loss) attributable to NCI on consolidated VIEs | **$ 42** | $ (6) | $ 33 |

**7. Variable Interest Entities**

***Nonconsolidated VIEs.*** At December 31, 2019 and 2018, the Company's carrying value of assets and liabilities included on the consolidated statements of financial condition pertaining to nonconsolidated VIEs and its maximum risk of loss related to VIEs for which it held a variable interest, but for which it was not the PB, was as follows:

| *(in millions)* | | **Advisory Fee** | **Other Net Assets** | **Maximum** |
|---|---|---|---|---|
| **At December 31, 2019** | **Investments** | **Receivables** | **(Liabilities)** | **Risk of Loss[1]** |
| Sponsored investment products | **$ 539** | **$ 71** | **$ (10)** | **$ 627** |
| **At December 31, 2018** | | | | |
| Sponsored investment products | $ 348 | $ 43 | $ (6) | $ 408 |

(1) At December 31, 2019 and 2018, BlackRock's maximum risk of loss associated with these VIEs primarily related to BlackRock's investments and the collection of advisory fee receivables.

The net assets of sponsored investment products that are nonconsolidated VIEs approximated $12 billion and $9 billion at December 31, 2019 and 2018, respectively.

## 8. Fair Value Disclosures

### *Fair Value Hierarchy*

*Assets and liabilities measured at fair value on a recurring basis*

| December 31, 2019 *(in millions)* | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Investments Measured at NAV[1] | Other[2] | December 31, 2019 |
|---|---|---|---|---|---|---|
| **Assets:** | | | | | | |
| Investments | | | | | | |
| Debt securities: | | | | | | |
| Held-to-maturity investments | $ — | $ — | $ — | $ — | $ 249 | **$ 249** |
| Trading securities | — | 1,241 | 8 | — | — | **1,249** |
| Total debt securities | — | 1,241 | 8 | — | 249 | **1,498** |
| Equity securities at FVTNI: | | | | | | |
| Deferred compensation plan mutual funds | 23 | — | — | — | — | **23** |
| Equity securities/Multi-asset mutual funds | 1,903 | — | — | — | — | **1,903** |
| Total equity securities at FVTNI | 1,926 | — | — | — | — | **1,926** |
| Equity method: | | | | | | |
| Equity and fixed income mutual funds | 157 | — | — | — | — | **157** |
| Hedge funds/funds of hedge funds | — | — | — | 220 | — | **220** |
| Private equity funds | — | — | — | 248 | — | **248** |
| Real assets funds | — | — | — | 296 | — | **296** |
| Other | 12 | — | — | 10 | — | **22** |
| Total equity method | 169 | — | — | 774 | — | **943** |
| Bank loans | — | 27 | 177 | — | — | **204** |
| Federal Reserve Bank Stock | — | — | — | — | 93 | **93** |
| Carried interest | — | — | — | — | 528 | **528** |
| Other investments[3] | — | — | 9 | 98 | 190 | **297** |
| Total investments | 2,095 | 1,268 | 194 | 872 | 1,060 | **5,489** |
| Other assets[4] | 173 | — | — | — | — | **173** |
| Separate account assets | 72,515 | 29,582 | — | — | 747 | **102,844** |
| Separate account collateral held under securities lending agreements: | | | | | | |
| Equity securities | 10,209 | — | — | — | — | **10,209** |
| Debt securities | — | 5,257 | — | — | — | **5,257** |
| Total separate account collateral held under securities lending agreements | 10,209 | 5,257 | — | — | — | **15,466** |
| **Total** | $ 84,992 | $ 36,107 | $ 194 | $ 872 | $ 1,807 | **123,972** |
| **Liabilities:** | | | | | | |
| Separate account collateral liabilities under securities lending agreements | $ 10,209 | $ 5,257 | $ — | $ — | $ — | **$ 15,466** |
| Other liabilities[5] | — | 10 | 388 | — | — | **398** |
| **Total** | $ 10,209 | $ 5,267 | $ 388 | $ — | $ — | **$ 15,864** |

(1) Amounts are comprised of certain investments measured at fair value using NAV (or its equivalent) as a practical expedient.
(2) Amounts are comprised of investments held at amortized cost and cost, adjusted for observable price changes, carried interest and certain equity method investments, which include sponsored investment funds and other assets, which are not accounted for under a fair value measure. In accordance with GAAP, certain equity method investees do not account for both their financial assets and liabilities under fair value measures; therefore, the Company's investment in such equity method investees may not represent fair value.
(3) Level 3 amounts primarily include direct investments in private equity companies held by private equity funds.
(4) Amount includes a minority investment in a publicly traded company.
(5) Amounts primarily include contingent liabilities related to certain acquisitions (see Note 16, *Commitments and Contingencies*, for more information) and other liabilities of a consolidated CLO classified based on the significance of unobservable inputs used for calculating the fair value of consolidated CLO assets.

*Assets and liabilities measured at fair value on a recurring basis*

| December 31, 2018<br>*(in millions)* | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Investments Measured at NAV[1] | Other[2] | December 31, 2018 |
|---|---|---|---|---|---|---|
| **Assets:** | | | | | | |
| Investments | | | | | | |
| Debt securities: | | | | | | |
| Held-to-maturity investments | $ — | $ — | $ — | $ — | $ 188 | $ 188 |
| Trading securities | — | 1,656 | 4 | — | — | 1,660 |
| Total debt securities | — | 1,656 | 4 | — | 188 | 1,848 |
| Equity securities at FVTNI: | | | | | | |
| Deferred compensation plan mutual funds | 34 | — | — | — | — | 34 |
| Equity securities/Multi-asset mutual funds | 987 | — | — | — | — | 987 |
| Total equity securities at FVTNI | 1,021 | — | — | — | — | 1,021 |
| Equity method: | | | | | | |
| Equity and fixed income mutual funds | 122 | — | — | — | — | 122 |
| Hedge funds/funds of hedge funds | — | — | — | 173 | — | 173 |
| Private equity funds | — | — | — | 116 | — | 116 |
| Real assets funds | — | — | — | 353 | — | 353 |
| Other | — | — | — | 14 | 3 | 17 |
| Total equity method | 122 | — | — | 656 | 3 | 781 |
| Bank loans | — | 14 | 70 | — | — | 84 |
| Federal Reserve Bank Stock | — | — | — | — | 92 | 92 |
| Carried interest | — | — | — | — | 387 | 387 |
| Other investments[3] | — | — | 82 | 106 | 75 | 263 |
| Total investments | 1,143 | 1,670 | 156 | 762 | 745 | 4,476 |
| Other assets[4] | 122 | — | — | — | — | 122 |
| Separate account assets | 63,610 | 25,810 | — | — | 865 | 90,285 |
| Separate account collateral held under securities lending agreements: | | | | | | |
| Equity securities | 15,066 | — | — | — | — | 15,066 |
| Debt securities | — | 5,589 | — | — | — | 5,589 |
| Total separate account collateral held under securities lending agreements | 15,066 | 5,589 | — | — | — | 20,655 |
| **Total** | $ 79,941 | $ 33,069 | $ 156 | $ 762 | $ 1,610 | $ 115,538 |
| **Liabilities:** | | | | | | |
| Separate account collateral liabilities under securities lending agreements | $ 15,066 | $ 5,589 | $ — | $ — | $ — | $ 20,655 |
| Other liabilities[5] | — | 6 | 371 | — | — | 377 |
| **Total** | $ 15,066 | $ 5,595 | $ 371 | $ — | $ — | $ 21,032 |

(1) Amounts are comprised of certain investments measured at fair value using NAV (or its equivalent) as a practical expedient.
(2) Amounts are comprised of investments held at cost or amortized cost, carried interest and certain equity method investments, which include sponsored investment funds and other assets, which are not accounted for under a fair value measure. In accordance with GAAP, certain equity method investees do not account for both their financial assets and liabilities under fair value measures; therefore, the Company's investment in such equity method investees may not represent fair value.
(3) Level 3 amounts include direct investments in private equity companies held by private equity funds.
(4) Amount includes a minority investment in a publicly traded company.
(5) Amounts primarily include contingent liabilities related to certain acquisitions (see Note 16, *Commitments and Contingencies*, for more information) and other liabilities of a consolidated CLO classified based on the significance of unobservable inputs used for calculating the fair value of consolidated CLO assets.

*Level 3 Assets.* Level 3 assets may include investments in CLOs and bank loans of consolidated CLOs, which were valued based on single-broker nonbinding quotes and direct private equity investments, which were valued using the market or income approach as described below.

Level 3 investments of $194 million and $156 million at December 31, 2019 and 2018, respectively, included bank loans of a consolidated CLO, investments in CLOs and direct investments in private equity companies held by consolidated private equity funds.

Direct investments in private equity companies may be valued using the market approach or the income approach, or a combination thereof, and were valued based on an assessment of each underlying investment, incorporating evaluation of additional significant third-party financing, changes in valuations of comparable peer companies, the business environment of the companies, market indices, assumptions relating to appropriate risk adjustments for nonperformance and legal restrictions on disposition, among other factors. The fair value derived from the methods used is evaluated and weighted, as appropriate, considering the reasonableness of the range of values indicated. Under the market approach, fair value may be determined by reference to multiples of market-comparable companies or transactions, including earnings before interest, taxes, depreciation and amortization ("EBITDA") multiples. Under the income approach, fair value may be determined by discounting the expected cash flows to a single present value amount using current expectations about those future amounts. Unobservable inputs used in a discounted cash flow model may include projections of operating performance generally covering a five-year period and a terminal value of the private equity direct investment. For investments utilizing a discounted cash flow valuation technique, a significant increase (decrease) in the discount rate, risk premium or discount for lack of marketability in isolation could have resulted in a significantly lower (higher) fair value measurement as of December 31, 2019. For investments utilizing the market-comparable valuation technique, a significant increase (decrease) in a valuation multiple in isolation could have resulted in a significantly higher (lower) fair value measurement as of December 31, 2019.

*Level 3 Liabilities*. Level 3 liabilities primarily include contingent liabilities associated with certain acquisitions, which were valued based upon discounted cash flow analyses using unobservable market data inputs and borrowings of a consolidated CLO, which were valued based on the fair value of the assets of the consolidated CLO less the fair value of the Company's economic interest in the CLO.

***Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for 2019***

| *(in millions)* | December 31, 2018 | Realized and Unrealized Gains (Losses) | Purchases | Sales and Maturities | Issuances and Other Settlements[1] | Transfers into Level 3 | Transfers out of Level 3[2] | December 31, 2019 | Total Net Unrealized Gains (Losses) Included in Earnings[3] |
|---|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | | |
| Investments: | | | | | | | | | |
| Debt securities: | | | | | | | | | |
| Trading | $ 4 | $ — | $ 10 | $ — | $ — | $ — | $ (6) | **$ 8** | $ — |
| Total debt securities | 4 | — | 10 | — | — | — | (6) | **8** | — |
| Private equity | 82 | — | — | — | — | — | (73) | **9** | — |
| Bank loans[4] | 70 | — | 107 | — | — | — | — | **177** | — |
| Total investments | 156 | — | 117 | — | — | — | (79) | **194** | — |
| Total Level 3 assets | $ 156 | $ — | $ 117 | $ — | $ — | $ — | $ (79) | **$ 194** | $ — |
| **Liabilities:** | | | | | | | | | |
| Other liabilities[4] | $ 371 | $ (53) | $ — | $ — | $ (36) | $ — | $ — | **$ 388** | $ (53) |
| Total Level 3 liabilities | $ 371 | $ (53) | $ — | $ — | $ (36) | $ — | $ — | **$ 388** | $ (53) |

(1) Amounts include proceeds from borrowings of a consolidated CLO and contingent liability payments in connection with certain prior acquisitions.
(2) Amounts include an investment in a consolidated entity that no longer qualifies as an investment company and is no longer accounted for under a fair value measure.
(3) Earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held at the reporting date.
(4) Amounts include contingent liabilities in connection with certain acquisitions and bank loans and borrowings related to a consolidated CLO.

***Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for 2018***

| *(in millions)* | December 31, 2017 | Realized and Unrealized Gains (Losses) | Purchases | Sales and Maturities | Issuances and Other Settlements[1] | Transfers into Level 3 | Transfers out of Level 3 | December 31, 2018 | Total Net Unrealized Gains (Losses) Included in Earnings[2] |
|---|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | | |
| Investments: | | | | | | | | | |
| Debt securities | | | | | | | | | |
| Available-for-sale securities[3] | $ — | $ — | $ 26 | $ — | $ — | $ — | $ (26) | $ — | $ — |
| Trading | — | — | 9 | — | — | — | (5) | 4 | — |
| Total debt securities | — | — | 35 | — | — | — | (31) | 4 | — |
| Private equity | 116 | (20) | — | (14) | — | — | — | 82 | (20) |
| Bank loans[4] | — | — | — | — | 70 | — | — | 70 | — |
| Total investments | 116 | (20) | 35 | (14) | 70 | — | (31) | 156 | (20) |
| Total Level 3 assets | $ 116 | $ (20) | $ 35 | $ (14) | $ 70 | $ — | $ (31) | $ 156 | $ (20) |
| **Liabilities:** | | | | | | | | | |
| Other liabilities[4] | $ 236 | $ (65) | $ — | $ — | $ 70 | $ — | $ — | $ 371 | $ (65) |
| Total Level 3 liabilities | $ 236 | $ (65) | $ — | $ — | $ 70 | $ — | $ — | $ 371 | $ (65) |

(1) Issuances and other settlements amount includes a contingent liability in connection with an acquisition, partially offset by a contingent liability payment in connection with a prior acquisition.
(2) Earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held at the reporting date.
(3) Amounts include investments in CLOs.
(4) Amounts include contingent liabilities in connection with certain acquisitions and bank loans and borrowings related to the consolidation of one additional CLO.

*Realized and Unrealized Gains (Losses) for Level 3 Assets and Liabilities.* Realized and unrealized gains (losses) recorded for Level 3 assets and liabilities are reported in nonoperating income (expense) on the consolidated statements of income. A portion of net income (loss) for consolidated sponsored investment funds are allocated to noncontrolling interests to reflect net income (loss) not attributable to the Company.

*Transfers in and/or out of Levels.* Transfers in and/or out of levels are reflected when significant inputs, including market inputs or performance attributes, used for the fair value measurement become observable/unobservable, or when the carrying value of certain equity method investments no longer represents fair value as determined under valuation methodologies.

*Disclosures of Fair Value for Financial Instruments Not Held at Fair Value.* At December 31, 2019 and 2018, the fair value of the Company's financial instruments not held at fair value are categorized in the table below.

| | **December 31, 2019** | | **December 31, 2018** | | |
|---|---|---|---|---|---|
| *(in millions)* | **Carrying Amount** | **Estimated Fair Value** | **Carrying Amount** | **Estimated Fair Value** | **Fair Value Hierarchy** |
| *Financial Assets*[1]*:* | | | | | |
| Cash and cash equivalents | **$ 4,829** | **$ 4,829** | $ 6,488 | $ 6,488 | Level 1[2] [3] |
| Other assets | **68** | **68** | 18 | 18 | Level 1[2] [4] |
| *Financial Liabilities:* | | | | | |
| Long-term borrowings | **4,955** | **5,254** | 4,979 | 5,034 | Level 2[5] |

(1) See Note 5, *Investments*, for further information on investments not held at fair value.
(2) Cash and cash equivalents are carried at either cost or amortized cost, which approximates fair value due to their short-term maturities.
(3) At December 31, 2019 and 2018, approximately $674 million and $173 million of money market funds were recorded within cash and cash equivalents on the consolidated statements of financial condition. Money market funds are valued based on quoted market prices, or $1.00 per share, which generally is the NAV of the fund.
(4) Other assets include restricted cash and cash collateral deposited with certain derivative counterparties. The carrying values of these assets approximate fair value due to their short-term maturities.
(5) Long-term borrowings are recorded at amortized cost, net of debt issuance costs. The fair value of the long-term borrowings, including the current portion of long-term borrowings, is determined using market prices at the end of December 2019 and 2018, respectively. See Note 15, *Borrowings*, for the fair value of each of the Company's long-term borrowings.

**Investments in Certain Entities that Calculate NAV Per Share**

As a practical expedient to value certain investments that do not have a readily determinable fair value and have attributes of an investment company, the Company uses NAV as the fair value. The following tables list information regarding all investments that use a fair value measurement to account for both their financial assets and financial liabilities in their calculation of a NAV per share (or equivalent).

**December 31, 2019**

| *(in millions)* | Ref | Fair Value | Total Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|---|---|
| **Equity method:**[1] | | | | | |
| Hedge funds/funds of hedge funds | (a) | $ 220 | $ 120 | Daily/Monthly (27%)<br>Quarterly (15%)<br>N/R (58%) | 1 – 90 days |
| Private equity funds | (b) | 248 | 212 | N/R | N/R |
| Real assets funds | (c) | 296 | 120 | Quarterly (57%)<br>N/R (43%) | 60 days |
| Other | | 10 | 9 | N/R | N/R |
| **Consolidated sponsored investment products:** | | | | | |
| Private equity funds of funds | (d) | 23 | 9 | N/R | N/R |
| Hedge fund | (a) | 3 | — | Quarterly | 90 days |
| Real assets funds | (c) | 72 | 83 | NR | NR |
| Total | | $ 872 | $ 553 | | |

**December 31, 2018**

| *(in millions)* | Ref | Fair Value | Total Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|---|---|
| **Equity method:**[1] | | | | | |
| Hedge funds/funds of hedge funds | (a) | $ 173 | $ 96 | Daily/Monthly (30%)<br>Quarterly (18%)<br>N/R (52%) | 1 – 90 days |
| Private equity funds | (b) | 116 | 83 | N/R | N/R |
| Real assets funds | (c) | 353 | 93 | Quarterly (68%)<br>N/R (32%) | 60 days |
| Other | | 14 | 16 | Daily (80%)<br>N/R (20%) | 5 days |
| **Consolidated sponsored investment products:** | | | | | |
| Private equity funds of funds | (d) | 48 | 18 | N/R | N/R |
| Hedge fund | (a) | 3 | — | Quarterly | 90 days |
| Real assets funds | (c) | 55 | 37 | NR | NR |
| Total | | $ 762 | $ 343 | | |

N/R – not redeemable

(1) Comprised of equity method investments, which include investment companies that account for their financial assets and most financial liabilities under fair value measures; therefore, the Company's investment in such equity method investees approximates fair value.

(a) This category includes hedge funds and funds of hedge funds that invest primarily in equities, fixed income securities, distressed credit, opportunistic and mortgage instruments and other third-party hedge funds. The fair values of the investments have been estimated using the NAV of the Company's ownership interest in partners' capital. The liquidation period for the investments in the funds that are not subject to redemption is unknown at both December 31, 2019 and 2018.

(b) This category includes several private equity funds that initially invest in nonmarketable securities of private companies, which ultimately may become public in the future. The fair values of these investments have been estimated using capital accounts representing the Company's ownership interest in the funds as well as other performance inputs. The Company's investment in each fund is not subject to redemption and is normally returned through distributions as a result of the liquidation of the underlying assets of the private equity funds. The liquidation period for the investments in the funds that are not subject to redemption is unknown at both December 31, 2019 and 2018.

(c) This category includes several real assets funds that invest directly in real estate, real estate related assets and infrastructure. The fair values of the investments have been estimated using capital accounts representing the Company's ownership interest in the funds. The Company's investments that are not subject to redemption or are not currently redeemable are normally returned through distributions as a result of the liquidation of the underlying assets of the funds. The liquidation period for the investments in the funds that are not subject to redemption is unknown at both December 31, 2019 and December 31, 2018. The total remaining unfunded commitments to other third-party funds were $203 million and $130 million at December 31, 2019 and December 31, 2018, respectively. The Company had contractual obligations to the consolidated funds of $172 million and $117 million at December 31, 2019 and 2018, respectively.

(d) This category includes the underlying third-party private equity funds within consolidated BlackRock sponsored private equity funds of funds. The fair values of the investments in the third-party funds have been estimated using capital accounts representing the Company's ownership interest in each fund in the portfolio as well as other performance inputs. These investments are not subject to redemption; however, for certain funds, the Company may sell or transfer its interest, which may need approval by the general partner of the underlying funds. Due to the nature of the investments in this category, the Company reduces its investment by distributions that are received through the realization of the underlying assets of the funds. The liquidation period for the investments in the funds that are not subject to redemption is unknown at both December 31, 2019 and December 31, 2018. The total remaining unfunded commitments to other third-party funds were $9 million and $18 million at December 31, 2019 and 2018, respectively. The Company had contractual obligations to the consolidated funds of $22 million at both December 31, 2019 and 2018.

**Fair Value Option**

At December 31, 2019 and 2018, the Company elected the fair value option for certain investments in CLOs of approximately $37 million and $32 million, respectively, reported within investments.

In addition, the Company elected the fair value option for bank loans and borrowings of a consolidated CLO, recorded within investments and other liabilities, respectively. The following table summarizes the information related to these bank loans and borrowings at December 31, 2019 and 2018:

| *(in millions)* | **December 31, 2019** | December 31, 2018 |
|---|---|---|
| CLO Bank loans: | | |
| Aggregate principal amounts outstanding | **$ 204** | $ 84 |
| Fair value | **204** | 84 |
| Aggregate unpaid principal balance in excess of (less than) fair value | **$ —** | $ — |
| CLO Borrowings: | | |
| Aggregate principal amounts outstanding | **$ 195** | $ 84 |
| Fair value | **$ 195** | $ 84 |

At December 31, 2019, the principal amounts outstanding of the borrowings issued by the CLOs mature in 2030.

During the year ended December 31, 2019 and 2018, the net gains (losses) from the change in fair value of the bank loans and borrowings held by the consolidated CLO were not material and were recorded in net gain (loss) on the consolidated statements of income. The change in fair value of the assets and liabilities included interest income and expense, respectively.

**9. Derivatives and Hedging**

The Company maintains a program to enter into swaps to hedge against market price and interest rate exposures with respect to certain seed investments in sponsored investment products. At December 31, 2019 and 2018, the Company had outstanding total return swaps with aggregate notional values of approximately $644 million and $483 million, respectively.

At both December 31, 2019 and 2018, the Company had a derivative providing credit protection with a notional amount of approximately $17 million to a counterparty, representing the Company's maximum risk of loss with respect to the derivative. The Company carries the derivative at fair value based on the expected discounted future cash outflows under the arrangement.

The Company executes forward foreign currency exchange contracts to mitigate the risk of certain foreign exchange movements. At December 31, 2019 and 2018, the Company had outstanding forward foreign currency exchange contracts with aggregate notional values of approximately $3.4 billion and $2.2 billion, respectively.

The fair values of the outstanding total return swaps, credit default swap and forward foreign currency exchange contracts were not material to the consolidated statement of financial condition at both December 31, 2019 and 2018.

The following table presents gains (losses) recognized in the consolidated statements of income on derivative instruments:

| *(in millions)* | | **Gains (Losses)** | | |
|---|---|---|---|---|
| **Derivative Instruments** | **Statement of Income Classification** | **2019** | **2018** | **2017** |
| Total return swaps | Nonoperating income (expense) | **$ (106)** | $ 54 | $ (118) |
| Interest rate swaps | Nonoperating income (expense) | **—** | — | (2) |
| Forward foreign currency exchange contracts | General and administration expense | **55** | (124) | 63 |
| Total gain (loss) from derivative instruments | | **$ (51)** | $ (70) | $ (57) |

The Company consolidates certain sponsored investment funds, which may utilize derivative instruments as a part of the funds' investment strategies. The change in fair value of such derivatives, which is recorded in nonoperating income (expense), was not material for 2019, 2018 and 2017.

See Note 15, *Borrowings*, for more information on the Company's net investment hedge.

**10. Property and Equipment**

Property and equipment consists of the following:

| *(in millions)* | Estimated useful life-in years | December 31, 2019 | 2018 |
|---|---|---|---|
| Property and equipment: | | | |
| Land | N/A | **$ 6** | $ 6 |
| Building | 39 | **33** | 33 |
| Building improvements | 15 | **30** | 30 |
| Leasehold improvements | 1-15 | **565** | 534 |
| Equipment and computer software | 3 | **672** | 541 |
| Other transportation equipment | 10 | **136** | 135 |
| Furniture and fixtures | 7 | **70** | 66 |
| Construction in progress | N/A | **83** | 48 |
| Total | | **1,595** | 1,393 |
| Less: accumulated depreciation and amortization | | **880** | 750 |
| Property and equipment, net | | **$ 715** | $ 643 |

N/A – Not Applicable

Qualifying software costs of approximately $93 million, $77 million and $60 million have been capitalized within equipment and computer software during 2019, 2018 and 2017, respectively, and are being amortized over an estimated useful life of three years.

Depreciation and amortization expense was $182 million, $154 million and $132 million for 2019, 2018 and 2017, respectively.

**11. Goodwill**

Goodwill activity during 2019 and 2018 was as follows:

| *(in millions)* | 2019 | 2018 |
|---|---|---|
| Beginning of year balance | **$ 13,526** | $ 13,220 |
| Acquisitions | **1,044** | 316 |
| Goodwill adjustments related to Quellos and other[(1)] | **(8)** | (10) |
| End of year balance | **$ 14,562** | $ 13,526 |

(1) Amounts primarily resulted from a decline related to tax benefits realized from tax-deductible goodwill in excess of book goodwill from the acquisition of the fund-of-funds business of Quellos Group, LLC in October 2007 (the "Quellos Transaction"). Goodwill related to the Quellos Transaction will continue to be reduced in future periods by the amount of tax benefits realized from tax-deductible goodwill in excess of book goodwill from the Quellos Transaction. The balance of the Quellos tax-deductible goodwill in excess of book goodwill was approximately $106 million and $137 million at December 31, 2019 and 2018, respectively.

In 2019, the $1,044 increase in goodwill resulted from the eFront Transaction, which closed on May 10, 2019. See Note 3, *Acquisition*, for information on the eFront Transaction.

In 2018, the $316 million increase in goodwill included $184 million of goodwill related to the acquisition of Tennenbaum Capital Partners, LLC, a middle market credit and special situation credit opportunities manager, in August 2018 ("TCP Transaction"). The Company believes the acquisition enhances its ability to provide clients with private credit solutions across a range of risk level, liquidity and geography. Total cash consideration paid at closing for the TCP Transaction was approximately $393 million. The amount also included $132 million of goodwill related to the acquisition of the asset management business of Citibanamex, a subsidiary of Citigroup, Inc. in September 2018 ("Citibanamex Transaction"). The Company acquired AUM across local fixed income, equity and multi-asset products, enabling the Company to offer a full range of local and international investment solutions for clients in Mexico. Total consideration at closing for the Citibanamex Transaction was approximately $360 million, including estimated contingent consideration at close.

BlackRock assessed its goodwill for impairment as of July 31, 2019, 2018 and 2017 and considered such factors as the book value and the market capitalization of the Company. The impairment assessment indicated no impairment charges were required. The Company continues to monitor its book value per share compared with closing prices of its common stock for potential indicators of impairment. At December 31, 2019, the Company's common stock closed at a market price of $502.70, which exceeded its book value of approximately $216.15 per share.

## 12. Intangible Assets

Intangible assets at December 31, 2019 and 2018 consisted of the following:

| *(in millions)* | Remaining Weighted-Average Estimated Useful Life | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
|---|---|---|---|---|
| ***At December 31, 2019*** | | | | |
| **Indefinite-lived intangible assets:** | | | | |
| Management contracts | **N/A** | **$ 16,169** | **$ —** | **$ 16,169** |
| Trade names / trademarks | **N/A** | **1,403** | **—** | **1,403** |
| License | **N/A** | **6** | **—** | **6** |
| Total indefinite-lived intangible assets | | **17,578** | **—** | **17,578** |
| **Finite-lived intangible assets:** | | | | |
| Management contracts | **4.8** | **283** | **135** | **148** |
| Investor/customer relationships | **9.2** | **476** | **39** | **437** |
| Technology-related | **7.4** | **203** | **9** | **194** |
| Trade names / trademarks | **3.3** | **14** | **2** | **12** |
| Total finite-lived intangible assets | **7.8** | **976** | **185** | **791** |
| Total intangible assets | | **$ 18,554** | **$ 185** | **$ 18,369** |
| ***At December 31, 2018*** | | | | |
| **Indefinite-lived intangible assets:** | | | | |
| Management contracts | N/A | $ 16,169 | $ — | $ 16,169 |
| Trade names / trademarks | N/A | 1,403 | — | 1,403 |
| License | N/A | 6 | — | 6 |
| Total indefinite-lived intangible assets | | 17,578 | — | 17,578 |
| **Finite-lived intangible assets:** | | | | |
| Management contracts | 5.2 | 439 | 237 | 202 |
| Investor/customer relationships | 10.7 | 66 | 7 | 59 |
| Total finite-lived intangible assets | 6.5 | 505 | 244 | 261 |
| Total intangible assets | | $ 18,083 | $ 244 | $ 17,839 |

N/A – Not Applicable

The impairment tests performed for intangible assets as of July 31, 2019, 2018 and 2017 indicated no impairment charges were required.

Estimated amortization expense for finite-lived intangible assets for each of the five succeeding years is as follows:

| *(in millions)* **Year** | Amount |
|---|---|
| 2020 | $ 106 |
| 2021 | 107 |
| 2022 | 103 |
| 2023 | 97 |
| 2024 | 92 |

In 2019, in connection with the eFront Transaction, the Company acquired $400 million of finite-lived customer relationships, $203 million of finite-lived technology-related intangible assets and $14 million of a finite-lived trade name, with weighted-average estimated lives of approximately 10 years, eight years and four years, respectively. See Note 3, *Acquisition*, for information on the eFront Transaction.

In 2018, in connection with the TCP and Citibanamex transactions, the Company acquired $145 million and $255 million of indefinite-lived management contracts, respectively, and $48 million and $31 million of finite-lived management contracts, respectively, with a weighted-average estimated life of approximately six and eight years, respectively.

## 13. Leases

The following table presents components of lease cost included in general and administration expense on the consolidated statements of income:

| *(in millions)* | 2019 |
|---|---|
| Lease cost [(1)]: | |
| Operating lease cost [(2)] | **$ 141** |
| Variable lease cost [(3)] | **39** |
| Total lease cost | **$ 180** |

(1) Rent expense and certain office equipment expense under lease agreements amounted to $135 million and $132 million in 2018 and 2017, respectively.
(2) Amount includes short-term leases, which are immaterial for 2019.
(3) Amount includes operating lease payments, which may be adjusted based on usage, changes in an index or market rate.

The following table presents operating leases included on the consolidated statement of financial condition:

| *(in millions)* | Statement of Financial Condition Classification | December 31, 2019 |
|---|---|---|
| Statement of Financial Condition information: | | |
| Operating lease ROU assets | Other assets | **$ 669** |
| Operating lease liabilities | Other liabilities | **$ 776** |

Supplemental information related to operating leases is summarized below:

| *(in millions)* | December 31, 2019 |
|---|---|
| Supplemental cash flow information: | |
| Cash paid for amounts included in the measurement of operating lease liabilities | **$ 142** |
| Supplemental noncash information: | |
| ROU assets in exchange for operating lease liabilities in connection with the adoption of ASU 2016-02 | **$ 661** |
| ROU assets in exchange for operating lease liabilities | **$ 117** |

| | December 31, 2019 |
|---|---|
| Lease term and discount rate: | |
| Weighted-average remaining lease term | **9 years** |
| Weighted-average discount rate | **3 %** |

*(in millions)*

| **Maturity of operating lease liabilities at December 31, 2019** | Amount [(1)] |
|---|---|
| 2020 | **$ 152** |
| 2021 | **147** |
| 2022 | **142** |
| 2023 | **91** |
| 2024 | **58** |
| Thereafter | **294** |
| Total lease payments | **$ 884** |
| Less: imputed interest | **108** |
| Present value of lease liabilities | **$ 776** |

(1) Amount excludes $1.5 billion of legally binding minimum lease payments for leases signed but not yet commenced.

The table below summarizes BlackRock's future minimum commitments under the operating leases at December 31, 2018, reflecting accounting guidance prior to the adoption of the new lease accounting standard:

*(in millions)*

| **Operating lease commitments at December 31, 2018** | Amount |
|---|---|
| 2019 | $ 145 |
| 2020 | 139 |
| 2021 | 130 |
| 2022 | 121 |
| 2023 | 106 |
| Thereafter | 1,516 |
| Total | $ 2,157 |

In May 2017, the Company entered into an agreement with 50 HYMC Owner LLC, for the lease of approximately 847,000 square feet of office space located at 50 Hudson Yards, New York, New York. The term of the lease is twenty years from the date that rental payments begin, expected to occur in May 2023, with the option to renew for a specified term. The lease requires annual base rental payments of approximately $51 million per year during the first five years of the lease term, increasing every five years to $58 million, $66 million and $74 million per year (or approximately $1.2 billion in base rent over its twenty-year term). In November 2019, the Company exercised its initial expansion option with respect to two additional floors of approximately 122,000 square feet of office space. The additional space requires approximately $185 million in base rent over its twenty-year term.

**14. Other Assets**

The Company accounts for its interest in PennyMac Financial Services, Inc. ("PennyMac") as an equity method investment. At December 31, 2019 and 2018, the Company's investment in PennyMac is included in other assets on the consolidated statements of financial condition. The carrying value and market value of the Company's interest (approximately 20% or 16 million shares) were approximately $451 million and $530 million, respectively, at December 31, 2019 and approximately $397 million and $331 million, respectively, at December 31, 2018. The market value of the Company's interest reflected the PennyMac stock price at December 31, 2019 and 2018, respectively (a Level 1 input).

**15. Borrowings**

***Short-Term Borrowings***

*2019 Revolving Credit Facility*. The Company's credit facility has an aggregate commitment amount of $4 billion and was amended in March 2019 to extend the maturity date to March 2024 (the "2019 credit facility"). The 2019 credit facility permits the Company to request up to an additional $1 billion of borrowing capacity, subject to lender credit approval, increasing the overall size of the 2019 credit facility to an aggregate principal amount not to exceed $5 billion. Interest on borrowings outstanding accrues at a rate based on the applicable London Interbank Offered Rate plus a spread. The 2019 credit facility requires the Company not to exceed a maximum leverage ratio (ratio of net debt to EBITDA, where net debt equals total debt less unrestricted cash) of 3 to 1, which was satisfied with a ratio of less than 1 to 1 at December 31, 2019. The 2019 credit facility provides back-up liquidity to fund ongoing working capital for general corporate purposes and various investment opportunities. At December 31, 2019, the Company had no amount outstanding under the 2019 credit facility.

*Commercial Paper Program.* The Company can issue unsecured commercial paper notes (the "CP Notes") on a private-placement basis up to a maximum aggregate amount outstanding at any time of $4 billion. The commercial paper program is currently supported by the 2019 credit facility. At December 31, 2019, BlackRock had no CP Notes outstanding.

***Long-Term Borrowings***

The carrying value and fair value of long-term borrowings determined using market prices and EUR/USD foreign exchange rate at December 31, 2019 included the following:

| *(in millions)* | Maturity Amount | Unamortized Discount and Debt Issuance Costs | Carrying Value | Fair Value |
|---|---|---|---|---|
| 4.25% Notes due 2021 | $ 750 | $ (1) | $ 749 | $ 775 |
| 3.375% Notes due 2022 | 750 | (2) | 748 | 777 |
| 3.50% Notes due 2024 | 1,000 | (4) | 996 | 1,062 |
| 1.25% Notes due 2025 | 786 | (5) | 781 | 832 |
| 3.20% Notes due 2027 | 700 | (5) | 695 | 740 |
| 3.25% Notes due 2029 | 1,000 | (14) | 986 | 1,068 |
| **Total Long-term Borrowings** | $ 4,986 | $ (31) | $ 4,955 | $ 5,254 |

Long-term borrowings at December 31, 2018 had both a carrying value and a fair value of approximately $5 billion determined using market prices at the end of December 2018.

See Note 29, *Subsequent Events*, for information on the January 2020 debt offering.

*2029 Notes.* In April 2019, the Company issued $1 billion in aggregate principal amount of 3.25% senior unsecured and unsubordinated notes maturing on April 30, 2029 (the "2029 Notes"). The net proceeds of the 2029 Notes were used for general corporate purposes, which included a portion of the purchase price of the eFront Transaction, repayment of a portion of the $1 billion 5.00% notes in December 2019 and repayment of borrowings under its commercial paper program. Interest is payable semi-annually on April 30 and October 30 of each year, which commenced on October 30, 2019, and is approximately $33 million per year. The 2029 Notes may be redeemed prior to January 30, 2029 in whole or in part at any time, at the option of the Company, at a "make-whole" redemption price or at par thereafter. The unamortized discount and debt issuance costs are being amortized over the remaining term of the 2029 Notes.

In December 2019, the Company fully repaid $1 billion of 5.00% notes at maturity.

*2027 Notes*. In March 2017, the Company issued $700 million in aggregate principal amount of 3.20% senior unsecured and unsubordinated notes maturing on March 15, 2027 (the "2027 Notes"). The net proceeds of the 2027 Notes were used to fully repay $700 million in aggregate principal amount outstanding of 6.25% notes in April 2017 prior to their maturity in September 2017. Interest is payable semi-annually on March 15 and September 15 of each year, and is approximately $22 million per year. The 2027 Notes may be redeemed prior to maturity at any time in whole or in part at the option of the Company at a "make-whole" redemption price. The unamortized discount and debt issuance costs are being amortized over the remaining term of the 2027 Notes.

*2025 Notes.* In May 2015, the Company issued €700 million of 1.25% senior unsecured notes maturing on May 6, 2025 (the "2025 Notes"). The notes are listed on the New York Stock Exchange. The net proceeds of the 2025 Notes were used for general corporate purposes, including refinancing of outstanding indebtedness. Interest of approximately $10 million per year based on current exchange rates is payable annually on May 6 of each year. The 2025 Notes may be redeemed in whole or in part prior to maturity at any time at the option of the Company at a "make-whole" redemption price. The unamortized discount and debt issuance costs are being amortized over the remaining term of the 2025 Notes.

Upon conversion to US dollars the Company designated the €700 million debt offering as a net investment hedge to offset its currency exposure relating to its net investment in certain euro functional currency operations. A gain of $11 million (net of tax expense of $3 million), a gain of $30 million (net of tax expense of $10 million), and a loss of $64 million (net of tax benefit of $38 million) were recognized in other comprehensive income for 2019, 2018 and 2017, respectively. No hedge ineffectiveness was recognized during 2019, 2018, and 2017.

*2024 Notes*. In March 2014, the Company issued $1 billion in aggregate principal amount of 3.50% senior unsecured and unsubordinated notes maturing on March 18, 2024 (the "2024 Notes"). The net proceeds of the 2024 Notes were used to refinance certain indebtedness which matured in the fourth quarter of 2014. Interest is payable semi-annually in arrears on March 18 and September 18 of each year, or approximately $35 million per year. The 2024 Notes may be redeemed prior to maturity at any time in whole or in part at the option of the Company at a "make-whole" redemption price. The unamortized discount and debt issuance costs are being amortized over the remaining term of the 2024 Notes.

*2022 Notes.* In May 2012, the Company issued $1.5 billion in aggregate principal amount of unsecured unsubordinated obligations. These notes were issued as two separate series of senior debt securities, including $750 million of 1.375% notes, which were repaid in June 2015 at maturity, and $750 million of 3.375% notes maturing in June 2022 (the "2022 Notes"). Net proceeds were used to fund the repurchase of BlackRock's common stock and Series B Preferred from Barclays and affiliates and for general corporate purposes. Interest on the 2022 Notes of approximately $25 million per year is payable semi-annually on June 1 and December 1 of each year. The 2022 Notes may be redeemed prior to maturity at any time in whole or in part at the option of the Company at a "make-whole" redemption price. The "make-whole" redemption price represents a price, subject to the specific terms of the 2022 Notes and related indenture, that is the greater of (a) par value and (b) the present value of future payments that will not be paid because of an early redemption, which is discounted at a fixed spread over a comparable Treasury security. The unamortized discount and debt issuance costs are being amortized over the remaining term of the 2022 Notes.

*2021 Notes.* In May 2011, the Company issued $1.5 billion in aggregate principal amount of unsecured unsubordinated obligations. These notes were issued as two separate series of senior debt securities, including $750 million of 4.25% notes maturing in May 2021 and $750 million of floating rate notes, which were repaid in May 2013 at maturity. Net proceeds of this offering were used to fund the repurchase of BlackRock's Series B Preferred from affiliates of Merrill Lynch & Co., Inc. Interest on the 4.25% notes due in 2021 ("2021 Notes") is payable semi-annually on May 24 and November 24 of each year, and is approximately $32 million per year. The 2021 Notes may be redeemed prior to maturity at any time in whole or in part at the option of the Company at a "make-whole" redemption price. The unamortized discount and debt issuance costs are being amortized over the remaining term of the 2021 Notes.

**16. Commitments and Contingencies**

***Investment Commitments***. At December 31, 2019, the Company had $553 million of various capital commitments to fund sponsored investment products, including consolidated sponsored investment products. These products include private equity funds, real assets funds, and opportunistic funds. This amount excludes additional commitments made by consolidated funds of funds to underlying third-party funds as third-party noncontrolling interest holders have the legal obligation to fund the respective commitments of such funds of funds. Generally, the timing of the funding of these commitments is unknown and the commitments are callable on demand at any time prior to the expiration of the commitment. These unfunded commitments are not recorded on the consolidated statements of financial condition. These commitments do not include potential future commitments approved by the Company that are not yet legally binding. The Company intends to make additional capital commitments from time to time to fund additional investment products for, and with, its clients.

***Contingencies***

*Contingent Payments Related to Business Acquisitions*. In connection with certain acquisitions, BlackRock is required to make contingent payments, subject to achieving specified performance targets, which may include revenue related to acquired contracts or new capital commitments for certain products. The fair value of the remaining aggregate contingent payments at December 31, 2019 totaled $193 million, and is included in other liabilities on the consolidated statements of financial condition.

*Other Contingent Payments.* The Company acts as the portfolio manager in a series of derivative transactions and has a maximum potential exposure of $17 million between the Company and counterparty. See Note 9, *Derivatives and Hedging*, for further discussion.

*Legal Proceedings.* From time to time, BlackRock receives subpoenas or other requests for information from various US federal and state governmental and regulatory authorities and international governmental and regulatory authorities in connection with industry-wide or other investigations or proceedings. It is BlackRock's policy to cooperate fully with such matters. The Company, certain of its subsidiaries and employees have been named as defendants in various legal actions, including arbitrations and other litigation arising in connection with BlackRock's activities. Additionally, BlackRock-advised investment portfolios may be subject to lawsuits, any of which potentially could harm the investment returns of the applicable portfolio or result in the Company being liable to the portfolios for any resulting damages.

On May 27, 2014, certain investors in the BlackRock Global Allocation Fund, Inc. and the BlackRock Equity Dividend Fund (collectively, the "Funds") filed a consolidated complaint (the "Consolidated Complaint") in the US District Court for the District of New Jersey against BlackRock Advisors, LLC, BlackRock Investment Management, LLC and BlackRock International Limited under the caption *In re BlackRock Mutual Funds Advisory Fee Litigation*. In the lawsuit, which purports to be brought derivatively on behalf of the Funds, the plaintiffs allege that the defendants violated Section 36(b) of the Investment Company Act by receiving allegedly excessive investment advisory fees from the Funds. On June 13, 2018, the court granted in part and denied in part the defendants' motion for summary judgment. On July 25, 2018, the plaintiffs served a pleading that supplemented the time period of their alleged damages to run through the date of trial. The lawsuit seeks, among other things, to recover on behalf of the Funds all allegedly excessive advisory fees received by the defendants beginning twelve months preceding the start of the lawsuit with respect to each Fund and ending on the date of judgment, along with purported lost investment returns on those amounts, plus interest. The trial on the remaining issues was completed on August 29, 2018. On February 8, 2019, the court issued an order dismissing the claims in their entirety. The plaintiffs filed a notice of appeal on March 8, 2019, which remains pending. The defendants believe the claims in this lawsuit are without merit.

On June 16, 2016, *iShares* Trust, BlackRock, Inc. and certain of its advisory subsidiaries, and the directors and certain officers of the *iShares* ETFs were named as defendants in a purported class action lawsuit filed in California state court. The lawsuit was filed by investors in certain *iShares* ETFs (the "ETFs"), and alleges the defendants violated the federal securities laws by failing to adequately disclose in prospectuses

issued by the ETFs the risks to the ETFs' shareholders in the event of a "flash crash." The plaintiffs seek unspecified monetary and rescission damages. The plaintiffs' complaint was dismissed in December 2016 and on January 6, 2017, the plaintiffs filed an amended complaint. On April 27, 2017, the court partially granted the defendants' motion for judgment on the pleadings, dismissing certain of the plaintiffs' claims. On September 18, 2017, the court issued a decision dismissing the remainder of the lawsuit after a one-day bench trial. On December 1, 2017, the plaintiffs appealed the dismissal of their lawsuit and, on January 23, 2020, the California Court of Appeal affirmed the trial court's dismissal. The defendants believe the claims in this lawsuit are without merit.

On April 5, 2017, BlackRock, Inc., BlackRock Institutional Trust Company, N.A. ("BTC"), the BlackRock, Inc. Retirement Committee and various sub-committees, and a BlackRock employee were named as defendants in a purported class action lawsuit brought in the US District Court for the Northern District of California by a former employee on behalf of all participants and beneficiaries in the BlackRock employee 401(k) Plan (the "Plan") from April 5, 2011 to the present. The lawsuit generally alleges that the defendants breached their duties towards Plan participants in violation of the Employee Retirement Income Security Act of 1974 by, among other things, offering investment options that were overly expensive, underperformed unaffiliated peer funds, focused disproportionately on active versus passive strategies, and were unduly concentrated in investment options managed by BlackRock. On October 18, 2017, the plaintiffs filed an Amended Complaint, which, among other things, added as defendants certain current and former members of the BlackRock Retirement and Investment Committees. The Amended Complaint also included a new purported class claim on behalf of investors in certain Collective Trust Funds ("CTFs") managed by BTC. Specifically, the plaintiffs allege that BTC, as fiduciary to the CTFs, engaged in self-dealing by, most significantly, selecting itself as the securities lending agent on terms that the plaintiffs claim were excessive. The Amended Complaint also alleged that BlackRock took undue risks in its management of securities lending cash reinvestment vehicles during the financial crisis. On August 23, 2018, the court granted permission to the plaintiffs to file a Second Amended Complaint ("SAC") which added as defendants the BlackRock, Inc. Management Development and Compensation Committee, the Plan's independent investment consultant and the Plan's Administrative Committee and its members. On October 22, 2018, BlackRock filed a motion to dismiss the SAC, and on June 3, 2019, the plaintiffs filed a motion seeking to certify both the Plan and the CTF classes. On September 3, 2019, the court granted BlackRock's motion to dismiss part of the plaintiffs' claim seeking to recover alleged losses in the securities lending vehicles but denied the motion to dismiss in all other respects. On February 11, 2020, the court denied the plaintiffs' motion to certify the CTF class and granted their motion to certify the Plan class. On February 25, 2020, the plaintiffs requested permission from the appeals court to immediately appeal the class certification ruling. The defendants believe the claims in this lawsuit are without merit.

Management, after consultation with legal counsel, currently does not anticipate that the aggregate liability arising out of regulatory matters or lawsuits will have a material effect on BlackRock's results of operations, financial position, or cash flows. However, there is no assurance as to whether any such pending or threatened matters will have a material effect on BlackRock's results of operations, financial position or cash flows in any future reporting period. Due to uncertainties surrounding the outcome of these matters, management cannot reasonably estimate the possible loss or range of loss that may arise from these matters.

*Indemnifications.* In the ordinary course of business or in connection with certain acquisition agreements, BlackRock enters into contracts pursuant to which it may agree to indemnify third parties in certain circumstances. The terms of these indemnities vary from contract to contract and the amount of indemnification liability, if any, cannot be determined or the likelihood of any liability is considered remote. Consequently, no liability has been recorded on the consolidated statements of financial condition.

In connection with securities lending transactions, BlackRock has agreed to indemnify certain securities lending clients against potential loss resulting from a borrower's failure to fulfill its obligations under the securities lending agreement should the value of the collateral pledged by the borrower at the time of default be insufficient to cover the borrower's obligation under the securities lending agreement. The amount of securities on loan as of December 31, 2019 and subject to this type of indemnification was $210 billion. In the Company's capacity as lending agent, cash and securities totaling $226 billion was held as collateral for indemnified securities on loan at December 31, 2019. The fair value of these indemnifications was not material at December 31, 2019.

**17. Revenue**

The table below presents detail of revenue for 2019, 2018 and 2017 and includes the product mix of investment advisory, administration fees and securities lending revenue (collectively "base fees") and performance fees.

| *(in millions)* | 2019 | 2018 | 2017 |
|---|---|---|---|
| **Investment advisory, administration fees and securities lending revenue:** | | | |
| Equity: | | | |
| Active | **$ 1,554** | $ 1,654 | $ 1,654 |
| *iShares* ETFs | **3,495** | 3,549 | 3,220 |
| Non-ETF index | **667** | 685 | 680 |
| Equity subtotal | **5,716** | 5,888 | 5,554 |
| Fixed income: | | | |
| Active | **1,918** | 1,840 | 1,717 |
| *iShares* ETFs | **963** | 825 | 808 |
| Non-ETF index | **405** | 387 | 344 |
| Fixed income subtotal | **3,286** | 3,052 | 2,869 |
| Multi-asset | **1,148** | 1,176 | 1,157 |
| Alternatives: | | | |
| Illiquid alternatives | **488** | 348 | 281 |
| Liquid alternatives | **413** | 384 | 358 |
| Currency and commodities (1) | **108** | 98 | 91 |
| Alternatives subtotal | **1,009** | 830 | 730 |
| **Long-term** | **11,159** | 10,946 | 10,310 |
| Cash management | **618** | 607 | 558 |
| **Total base fees** | **11,777** | 11,553 | 10,868 |
| Investment advisory performance fees: | | | |
| Equity | **36** | 91 | 152 |
| Fixed income | **10** | 8 | 34 |
| Multi-asset | **19** | 19 | 33 |
| Alternatives: | | | |
| Illiquid alternatives | **136** | 70 | 62 |
| Liquid alternatives | **249** | 224 | 313 |
| Alternatives subtotal | **385** | 294 | 375 |
| **Total performance fees** | **450** | 412 | 594 |
| **Technology services revenue** | **974** | 785 | 657 |
| Distribution fees: | | | |
| Retrocessions | **658** | 709 | 675 |
| 12b-1 fees (US mutual fund distribution fees) | **358** | 406 | 466 |
| Other | **53** | 40 | 42 |
| **Total distribution fees** | **1,069** | 1,155 | 1,183 |
| Advisory and other revenue: | | | |
| Advisory | **99** | 113 | 128 |
| Other | **170** | 180 | 170 |
| **Total advisory and other revenue** | **269** | 293 | 298 |
| **Total revenue** | **$ 14,539** | $ 14,198 | $ 13,600 |

(1) Amounts include commodity *iShares* ETFs.

The tables below present the investment advisory, administration fees and securities lending revenue by client type and investment style:

| *(in millions)* | 2019 | 2018 | 2017 |
|---|---|---|---|
| **By client type:** | | | |
| Retail | **$ 3,411** | $ 3,413 | $ 3,250 |
| *iShares* ETFs | **4,564** | 4,468 | 4,113 |
| Institutional: | | | |
| Active | **2,172** | 2,044 | 1,955 |
| Index | **1,012** | 1,021 | 992 |
| Total institutional | **3,184** | 3,065 | 2,947 |
| **Long-term** | **11,159** | **10,946** | **10,310** |
| Cash management | **618** | 607 | 558 |
| **Total** | **$ 11,777** | **$ 11,553** | **$ 10,868** |
| | | | |
| **By investment style:** | | | |
| Active | **$ 5,510** | $ 5,391 | $ 5,152 |
| Index and *iShares* ETFs | **5,649** | 5,555 | 5,158 |
| **Long-term** | **11,159** | **10,946** | **10,310** |
| Cash management | **618** | 607 | 558 |
| **Total** | **$ 11,777** | **$ 11,553** | **$ 10,868** |

***Investment advisory and administration fees – remaining performance obligation***

The tables below present estimated investment advisory and administration fees expected to be recognized in the future related to the unsatisfied portion of the performance obligations at December 31, 2019 and 2018:

**December 31, 2019**

| *(in millions)* | 2020 | 2021 | 2022 | Thereafter | Total |
|---|---|---|---|---|---|
| Investment advisory and administration fees: | | | | | |
| Alternatives[1][2] | $ 98 | $ 88 | $ 74 | $ 107 | $ 367 |

**December 31, 2018**

| *(in millions)* | 2019 | 2020 | 2021 | Thereafter | Total |
|---|---|---|---|---|---|
| Investment advisory and administration fees: | | | | | |
| Alternatives[1][2] | $ 61 | $ 53 | $ 42 | $ 70 | $ 226 |

(1) Investment advisory and administration fees include management fees related to certain alternative products, which are based on contractual committed capital outstanding at December 31, 2019 and 2018. Actual management fees could be higher to the extent additional committed capital is raised. These fees are generally billed on a quarterly basis in arrears.
(2) The Company elected the following practical expedients and therefore does not include amounts related to (1) performance obligations with an original duration of one year or less, and (2) variable consideration related to future service periods.

***Change in Deferred Carried Interest Liability***

The table below presents changes in the deferred carried interest liability, which is included in other liabilities on the consolidated statements of financial condition, for the year ended December 31, 2019 and 2018:

| *(in millions)* | 2019 | 2018 |
|---|---|---|
| Beginning balance | **$ 293** | $ 219 |
| Net increase (decrease) in unrealized allocations | **259** | 92 |
| Performance fee revenue recognized | **(75)** | (18) |
| Other | **6** | — |
| Ending balance | **$ 483** | $ 293 |

***Technology services revenue – remaining performance obligation***

The tables below present estimated technology services revenue expected to be recognized in the future related to the unsatisfied portion of the performance obligations at December 31, 2019 and 2018:

**December 31, 2019**

| *(in millions)* | 2020 | 2021 | 2022 | Thereafter | Total |
|---|---|---|---|---|---|
| Technology services revenue[1][2] | $ 117 | $ 53 | $ 31 | $ 20 | $ 221 |

**December 31, 2018**

| *(in millions)* | 2019 | 2020 | 2021 | Thereafter | Total |
|---|---|---|---|---|---|
| Technology services revenue[1][2] | $ 28 | $ 24 | $ 18 | $ 17 | $ 87 |

(1) Technology services revenue primarily includes upfront payments from customers, which the Company generally recognizes as services are performed.
(2) The Company elected the following practical expedients and therefore does not include amounts related to (1) performance obligations with an original duration of one year or less, and (2) variable consideration related to future service periods.

In addition to amounts disclosed in the table above, certain technology services contracts require fixed minimum fees, which are billed on a monthly or quarterly basis in arrears. The Company recognizes such revenue as services are performed. As of December 31, 2019, the estimated fixed minimum fees for 2020 for outstanding contracts approximated $640 million. The term for these contracts, which are either in their initial or renewal period, ranges from one to five years.

The table below presents changes in the technology services deferred revenue liability for the year ended December 31, 2019 and 2018, which is included in other liabilities on the consolidated statements of financial condition:

| *(in millions)* | 2019 | 2018 |
|---|---|---|
| Beginning balance | **$ 70** | $ 62 |
| Additions | **86** | 44 |
| Revenue recognized that was included in the beginning balance | **(40)** | (36) |
| Ending balance | **$ 116** | $ 70 |

**18. Stock-Based Compensation**

The components of stock-based compensation expense are as follows:

| *(in millions)* | 2019 | 2018 | 2017 |
|---|---|---|---|
| Stock-based compensation: | | | |
| Restricted stock and RSUs | **$ 532** | $ 514 | $ 524 |
| Long-term incentive plans to be funded by PNC | **—** | 14 | 15 |
| Stock options | **35** | 36 | 3 |
| Total stock-based compensation | **$ 567** | $ 564 | $ 542 |

***Stock Award and Incentive Plan.*** Pursuant to the BlackRock, Inc. Second Amended and Restated 1999 Stock Award and Incentive Plan (the "Award Plan"), options to purchase shares of the Company's common stock at an exercise price not less than the market value of BlackRock's common stock on the date of grant in the form of stock options, restricted stock or RSUs may be granted to employees and nonemployee directors. A maximum of 41,500,000 shares of common stock were authorized for issuance under the Award Plan. Of this amount, 7,197,212 shares remain available for future awards at December 31, 2019. Upon exercise of employee stock options, the issuance of restricted stock or the vesting of RSUs, the Company issues shares out of treasury to the extent available.

***Restricted Stock and RSUs.*** Pursuant to the Award Plan, restricted stock grants and RSUs may be granted to certain employees. Substantially all restricted stock and RSUs vest over periods ranging from one to three years and are expensed using the straight-line method over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards. Restricted stock and RSUs are not considered participating securities for purposes of calculating EPS as the dividend equivalents are subject to forfeiture prior to vesting of the award.

Restricted stock and RSU activity for 2019 is summarized below.

| Outstanding at | Restricted Stock and RSUs | Weighted-Average Grant Date Fair Value |
|---|---|---|
| December 31, 2018 | 2,139,890 | $ 429.19 |
| Granted | 1,226,249 | $ 414.41 |
| Converted | (1,047,423) | $ 379.85 |
| Forfeited | (82,264) | $ 434.02 |
| **December 31, 2019[(1)]** | **2,236,452** | **$ 444.02** |

(1) At December 31, 2019, approximately 2.0 million awards are expected to vest and 0.2 million awards have vested but have not been converted.

The Company values restricted stock and RSUs at their grant-date fair value as measured by BlackRock's common stock price. The total fair market value of RSUs/restricted stock granted to employees during 2019, 2018 and 2017 was $508 million, $492 million and $421 million, respectively. The total grant-date fair market value of RSUs/restricted stock converted to common stock during 2019, 2018 and 2017 was $398 million, $443 million and $457 million, respectively.

RSUs/restricted stock granted in connection with annual incentive compensation under the Award Plan primarily related to the following:

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Awards granted that vest ratably over three years from the date of grant | **674,206** | 527,337 | 699,991 |
| Awards granted that cliff vest 100% on: | | | |
| January 31, 2020 | **—** | — | 277,313 |
| January 31, 2021 | **—** | 209,201 | — |
| January 31, 2022 | **377,291** | — | — |
| | **1,051,497** | **736,538** | **977,304** |

In addition, the Company also granted RSUs of 174,752, 155,403 and 126,906 during 2019, 2018 and 2017, respectively, with varying vesting periods.

At December 31, 2019, the intrinsic value of outstanding RSUs was $1.1 billion, reflecting a closing stock price of $502.70.

At December 31, 2019, total unrecognized stock-based compensation expense related to unvested RSUs was $347 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 1.1 years.

In January 2020, the Company granted under the Award Plan:

- 517,129 RSUs or shares of restricted stock to employees as part of annual incentive compensation that vest ratably over three years from the date of grant; and
- 380,335 RSUs or shares of restricted stock to employees that cliff vest 100% on January 31, 2023.

***Performance-Based RSUs.*** Pursuant to the Award Plan, performance-based RSUs may be granted to certain employees. Each performance-based award consists of a "base" number of RSUs granted to the employee. The number of shares that an employee ultimately receives at vesting will be equal to the base number of performance-based RSUs granted, multiplied by a predetermined percentage determined in accordance with the level of attainment of Company performance measures during the performance period and could be higher or lower than the original RSU grant. Performance-based RSUs are not considered participating securities as the dividend equivalents are subject to forfeiture prior to vesting of the award.

In the first quarter of 2019, 2018 and 2017, the Company granted 283,014, 199,068, and 294,584, respectively, performance-based RSUs to certain employees that cliff vest 100% on January 31, 2022, 2021, and 2020 respectively. These awards are amortized over a service period of three years. The number of shares distributed at vesting could be higher or lower than the original grant based on the level of attainment of predetermined Company performance measures. In January 2019, the Company granted 2,117 additional RSUs to certain employees based on the attainment of Company performance measures during the performance period.

Performance-based RSU activity for 2019 is summarized below.

| Outstanding at | Performance-Based RSUs | | Weighted-Average Grant Date Fair Value |
|---|---|---|---|
| December 31, 2018 | 845,285 | $ | 386.13 |
| Granted | 283,014 | $ | 410.32 |
| Additional shares granted due to attainment of performance measures | 2,117 | $ | 296.57 |
| Converted | (360,927) | $ | 296.57 |
| Forfeited | (26,571) | $ | 435.33 |
| **December 31, 2019** | **742,918** | **$** | **436.84** |

The Company initially values performance-based RSUs at their grant-date fair value as measured by BlackRock's common stock price. The total grant-date fair market value of performance-based RSUs granted to employees during 2019, 2018, and 2017 was $117 million, $121 million and $111 million, respectively.

At December 31, 2019, the intrinsic value of outstanding performance-based RSUs was $373 million reflecting a closing stock price of $502.70.

At December 31, 2019, total unrecognized stock-based compensation expense related to unvested performance-based awards was $107 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 1.1 years.

In January 2020, the Company granted 239,415 performance-based RSUs to certain employees that cliff vest 100% on January 31, 2023. These awards are amortized over a service period of three years. The number of shares distributed at vesting could be higher or lower than the original grant based on the level of attainment of predetermined Company performance measures.

***Long-Term Incentive Plans Funded by PNC.*** Under a share surrender agreement, PNC committed to provide up to 4 million shares of BlackRock stock, held by PNC, to fund certain BlackRock long-term incentive plans ("LTIP"), including performance-based and market performance-based RSUs. The current share surrender agreement commits PNC to provide BlackRock Series C nonvoting participating preferred stock to fund the remaining committed shares. On January 31, 2019, PNC surrendered its remaining 143,458 shares to BlackRock and has completed its share delivery obligation in connection with the agreement.

***Performance-based Stock Options.*** Pursuant to the Award Plan, performance-based stock options may be granted to certain employees. Vesting of the performance-based stock options is contingent upon the achievement of obtaining 125% of BlackRock's grant-date stock price within five years from the grant date and the attainment of Company performance measures during the four-year performance period. If both hurdles are achieved, the award will vest in three equal installments at the end of years five, six and seven. Vested options can then be exercised up to nine years following the grant date. The awards are generally forfeited if the employee leaves the Company before the respective vesting date. The expense for each tranche is amortized over the respective requisite service period. The Company assumes the performance condition will be achieved. If such condition is not met, no compensation cost is recognized and any recognized compensation cost is reversed. Stock option activity for 2019 is summarized below.

| Outstanding at | Shares Under Option | | Weighted Average Exercise Price |
|---|---|---|---|
| December 31, 2018 | 2,106,482 | $ | 513.50 |
| Forfeited | (165,337) | $ | 513.50 |
| **December 31, 2019** | **1,941,145** | **$** | **513.50** |

The options have a strike price of $513.50, which was the closing price of the shares on the grant date. The grant-date fair value of the awards issued in 2017 was $208 million and was estimated using a Monte Carlo simulation with an embedded lattice model using the assumptions included in the following table:

| Grant Year | Expected Term (Years) | Expected Stock Volatility | Expected Dividend Yield | Risk-Free Interest Rate |
|---|---|---|---|---|
| 2017 | 6.56 | 22.23% | 2.16% | 2.33% |

The expected term was derived using a Monte Carlo simulation with the embedded lattice model and represents the period of time that options granted are expected to be outstanding. The expected stock volatility was based upon an average of historical stock price fluctuations of BlackRock's common stock and an implied volatility at the grant date. The dividend yield was calculated as the most recent quarterly dividend divided by the average three-month stock price as of the grant date. The risk free interest rate is based on the US Treasury Constant Maturities yield curve at date of grant.

At December 31, 2019, total unrecognized stock-based compensation expense related to unvested performance-based stock options was $108 million. The unrecognized compensation cost is expected to be recognized over the remaining weighted-average period of 3.9 years.

***Employee Stock Purchase Plan ("ESPP").*** The ESPP allows eligible employees to purchase the Company's common stock at 95% of the fair market value on the last day of each three-month offering period. The Company does not record compensation expense related to employees purchasing shares under the ESPP.

**19. Employee Benefit Plans**

***Deferred Compensation Plans***

*Voluntary Deferred Compensation Plan.* The Company adopted a Voluntary Deferred Compensation Plan ("VDCP") that allows eligible employees in the United States to elect to defer between 1% and 100% of their annual cash incentive compensation. The participants must specify a deferral period of up to 10 years from the year of deferral and additionally, elect to receive distributions in the form of a lump sum or in up to 10 annual installments. The Company may fund the obligation through the rabbi trust on behalf of the plan's participants.

The rabbi trust established for the VDCP, with assets totaling $23 million and $34 million at December 31, 2019 and 2018, respectively, is reflected in investments on the consolidated statements of financial condition. Such investments are classified as trading investments. The liability balance of $80 million and $71 million at December 31, 2019 and 2018, respectively, is reflected on the consolidated statements of financial condition as accrued compensation and benefits. Earnings in the rabbi trust, including unrealized appreciation or depreciation, are reflected as nonoperating income (expense) and changes in the liability are reflected as employee compensation and benefits expense on the consolidated statements of income.

*Leadership Retention Carry Plan.* In 2019, the Company adopted a carried interest retention incentive program referred to as the BlackRock Leadership Retention Carry Plan, pursuant to which senior-level employees (but not including the Chief Executive Officer), as may be determined by the Company from time to time, will be eligible to receive a portion of the cash payments, based on their percentage points, in the total carried interest distributions payable to the Company from participating carry funds. Cash payments, if any, with respect to these percentage points will be made following the recipient's termination of employment due to qualified retirement, death or disability, subject to his or her execution of a release of claims and continued compliance with his or her restrictive covenant obligations following termination. There was no impact to the consolidated financial statements.

*Other Deferred Compensation Plans.* The Company has additional compensation plans for the purpose of providing deferred compensation and retention incentives to certain employees. For these plans, the final value of the deferred amount to be distributed in cash upon vesting is associated with investment returns of certain investment funds. The liabilities for these plans were $311 million and $236 million at December 31, 2019 and 2018, respectively, and are reflected in the consolidated statements of financial condition as accrued compensation and benefits. In January 2020, the Company granted approximately $137 million of additional deferred compensation that will fluctuate with investment returns and will vest ratably over three years from the date of grant.

***Defined Contribution Plans***

The Company has several defined contribution plans primarily in the United States and United Kingdom.

Certain of the Company's US employees participate in a defined contribution plan. Employee contributions of up to 8% of eligible compensation, as defined by the plan and subject to Internal Revenue Code limitations, are matched by the Company at 50% up to a maximum of $5,000 annually. In addition, the Company makes an annual retirement contribution to eligible participants equal to 3-5% of eligible compensation. The Company's contribution expense related to this plan was $66 million in 2019, $63 million in 2018, and $78 million in 2017.

Certain UK wholly owned subsidiaries of the Company contribute to defined contribution plans for their employees. The contributions range between 6% and 15% of each employee's eligible compensation. The Company's contribution expense related to these plans was $41 million in 2019, $35 million in 2018, and $29 million in 2017.

In addition, the contribution expense related to defined contribution plans in other regions was $29 million in 2019, $22 million in 2018 and $21 million in 2017.

***Defined Benefit Plans.*** The Company has several defined benefit pension plans primarily in Japan and Germany. All accrued benefits under the Germany defined benefit plan are currently frozen and the plan is closed to new participants. The participant benefits under the Germany plan will not change with salary increases or additional years of service. At December 31, 2019 and 2018, the plan assets for these plans were approximately $28 million and $26 million, respectively. The underfunded obligations at December 31, 2019 and 2018 were not material. Benefit payments for the next five years and in aggregate for the five years thereafter are not expected to be material.

## 20. Related Party Transactions

***Determination of Related Parties***

*PNC.* The Company considers PNC, along with its affiliates, to be related parties based on the level of its ownership of BlackRock capital stock. At December 31, 2019, PNC owned approximately 22.0% of the Company's voting common stock and held approximately 22.4% of the total capital stock. Revenue for services provided by the Company to PNC was not material for 2019, 2018 and 2017.

*Registered Investment Companies and Equity Method Investments.* The Company considers the registered investment companies that it manages, which include mutual funds and exchange-traded funds, to be related parties as a result of the Company's advisory relationship. In addition, equity method investments are considered related parties, due to the Company's influence over the financial and operating policies of the investee.

***Revenue from Related Parties***

Revenue for services provided by the Company to these and other related parties are as follows:

| *(in millions)* | **2019** | **2018** | **2017** |
|---|---|---|---|
| Investment advisory, administration fees and securities lending revenue[1] | **$ 8,323** | $ 8,226 | $ 7,692 |
| Investment advisory performance fees | **131** | 112 | 143 |
| Technology services revenue[2] | **9** | 9 | 9 |
| Advisory and other revenue[3] | **59** | 65 | 59 |
| Total revenue from related parties | **$ 8,522** | $ 8,412 | $ 7,903 |

(1) Amount primarily includes revenue from registered investment companies/and equity method investees.
(2) Amount primarily includes revenue from PNC and affiliates.
(3) Amount primarily includes revenue from equity method investees.

The Company provides investment advisory and administration services to its open- and closed-end funds and other commingled or pooled funds and separate accounts in which related parties invest. The Company also provides investment advisory and administration services for fees based on AUM and risk management services to PNC and its affiliates.

***Expenses for Transactions with Related Parties***

Expenses for transactions with related parties, which are included within general and administration expense, were $2 million, $2 million and $10 million for 2019, 2018, and 2017, respectively.

***Certain Agreements and Arrangements with PNC***

*PNC.* On February 27, 2009, BlackRock entered into an amended and restated implementation and stockholder agreement with PNC, and a fourth amendment to the share surrender agreement with PNC. On January 31, 2019, PNC surrendered its remaining BlackRock Series C Preferred Stock to BlackRock and has completed its share delivery obligation in connection with the agreement.

***Receivables and Payables with Related Parties.*** Due from related parties, which is included within other assets on the consolidated statements of financial condition was $119 million and $179 million at December 31, 2019 and 2018, respectively, and primarily represented receivables from certain investment products managed by BlackRock. Accounts receivable at December 31, 2019 and 2018 included $995 million and $878 million, respectively, related to receivables from BlackRock mutual funds, including *iShares* ETFs, for investment advisory and administration services.

Due to related parties, which is included within other liabilities on the consolidated statements of financial condition, was $12 million and $11 million at December 31, 2019 and 2018, respectively, and primarily represented payables to certain investment products managed by BlackRock.

## 21. Net Capital Requirements

The Company is required to maintain net capital in certain regulated subsidiaries within a number of jurisdictions, which is partially maintained by retaining cash and cash equivalent investments in those subsidiaries or jurisdictions. As a result, such subsidiaries of the Company may be restricted in their ability to transfer cash between different jurisdictions and to their parents. Additionally, transfers of cash between international jurisdictions may have adverse tax consequences that could discourage such transfers.

***Banking Regulatory Requirements.*** BTC, a wholly owned subsidiary of the Company, is chartered as a national bank whose powers are limited to trust and other fiduciary activities and which is subject to regulatory capital requirements administered by the Office of the Comptroller of the Currency. Federal banking regulators would be required to take certain actions and permitted to take other actions in the event of BTC's failure to meet minimum capital requirements that, if undertaken, could have a direct material effect on the Company's consolidated financial statements.

Quantitative measures established by regulators to ensure capital adequacy require BTC to maintain a minimum Common Equity Tier 1 capital and Tier 1 leverage ratio, as well as Tier 1 and total risk-based capital ratios. Based on BTC's calculations as of December 31, 2019 and 2018, it exceeded the applicable capital adequacy requirements.

| | Actual | | For Capital Adequacy Purposes | | To Be Well Capitalized Under Prompt Corrective Action Provisions | |
|---|---|---|---|---|---|---|
| *(in millions)* | **Amount** | **Ratio** | **Amount** | **Ratio** | **Amount** | **Ratio** |
| **December 31, 2019** | | | | | | |
| Total capital (to risk weighted assets) | **$ 686** | **137.7%** | **$ 40** | **8.0%** | **$ 50** | **10.0%** |
| Common Equity Tier 1 capital (to risk weighted assets) | **$ 686** | **137.7%** | **$ 22** | **4.5%** | **$ 32** | **6.5%** |
| Tier 1 capital (to risk weighted assets) | **$ 686** | **137.7%** | **$ 30** | **6.0%** | **$ 40** | **8.0%** |
| Tier 1 capital (to average assets) | **$ 686** | **72.8%** | **$ 38** | **4.0%** | **$ 47** | **5.0%** |
| **December 31, 2018** | | | | | | |
| Total capital (to risk weighted assets) | $ 572 | 131.1% | $ 35 | 8.0% | $ 44 | 10.0% |
| Common Equity Tier 1 capital (to risk weighted assets) | $ 572 | 131.1% | $ 20 | 4.5% | $ 28 | 6.5% |
| Tier 1 capital (to risk weighted assets) | $ 572 | 131.1% | $ 26 | 6.0% | $ 35 | 8.0% |
| Tier 1 capital (to average assets) | $ 572 | 58.0% | $ 39 | 4.0% | $ 49 | 5.0% |

***Broker-dealers.*** BlackRock Investments, LLC and BlackRock Execution Services are registered broker-dealers and wholly owned subsidiaries of BlackRock that are subject to the Uniform Net Capital requirements under the Securities Exchange Act of 1934, which requires maintenance of certain minimum net capital levels.

***Capital Requirements.*** At December 31, 2019 and 2018, the Company was required to maintain approximately $1.9 billion and $1.8 billion, respectively, in net capital in certain regulated subsidiaries, including BTC, entities regulated by the Financial Conduct Authority and Prudential Regulation Authority in the United Kingdom, and the Company's broker-dealers. The Company was in compliance with all applicable regulatory net capital requirements.

### 22. Accumulated Other Comprehensive Income (Loss)

The following table presents changes in AOCI by component for 2019, 2018 and 2017:

| *(in millions)* | **2019** | **2018** | **2017** |
|---|---|---|---|
| Beginning balance | **$ (691)** | $ (432) | $ (716) |
| Foreign currency translation adjustments[(1)] | **120** | (253) | 284 |
| Reclassification as a result of adoption of accounting guidance | — | (6) | — |
| **Ending balance** | **$ (571)** | **$ (691)** | **$ (432)** |

(1) Amounts for 2019 and 2018 include gains from a net investment hedge of $11 million (net of tax expense of $3 million) and $30 million (net of tax expense of $10 million), respectively. Amount for 2017 includes a loss from a net investment hedge of $64 million (net of tax benefit of $38 million).

### 23. Capital Stock

The Company's authorized common stock and nonvoting participating preferred stock, $0.01 par value, ("Preferred") consisted of the following:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| ***Common Stock*** | **500,000,000** | 500,000,000 |
| ***Nonvoting Participating Preferred Stock*** | | |
| Series A Preferred | **20,000,000** | 20,000,000 |
| Series B Preferred | **150,000,000** | 150,000,000 |
| Series C Preferred | **6,000,000** | 6,000,000 |
| Series D Preferred | **20,000,000** | 20,000,000 |

***PNC Capital Contribution.*** During 2019 and 2018, PNC surrendered to BlackRock 143,458 and 103,064 shares, respectively, of BlackRock Series C Preferred to fund certain LTIP awards and has completed its share delivery obligation in connection with its share surrender agreement.

***Cash Dividends for Common and Preferred Shares / RSUs.*** During 2019, 2018 and 2017, the Company paid cash dividends of $13.20 per share (or $2,096 million), $12.02 per share (or $1,968 million) and $10.00 per share (or $1,662 million), respectively.

**Share Repurchases.** During 2019, the Company repurchased 4.0 million common shares under the share repurchase program for $1.7 billion, including a $1.3 billion private transaction that closed on March 25, 2019. At December 31, 2019, there were 5.9 million shares still authorized to be repurchased.

The Company's common and preferred shares issued and outstanding and related activity consist of the following:

| | Shares Issued | | | | Shares Outstanding | | |
|---|---|---|---|---|---|---|---|
| | Common Shares | Treasury Common Shares | Series B Preferred | Series C Preferred | Common Shares | Series B Preferred | Series C Preferred |
| December 31, 2016 | 171,252,185 | (9,717,742) | 823,188 | 763,660 | 161,534,443 | 823,188 | 763,660 |
| Shares repurchased | — | (2,647,670) | — | — | (2,647,670) | — | — |
| Net issuance of common shares related to employee stock transactions | — | 1,090,342 | — | — | 1,090,342 | — | — |
| PNC LTIP capital contribution | — | — | — | (517,138) | — | — | (517,138) |
| December 31, 2017 | 171,252,185 | (11,275,070) | 823,188 | 246,522 | 159,977,115 | 823,188 | 246,522 |
| Shares repurchased | — | (3,511,603) | — | — | (3,511,603) | — | — |
| Net issuance of common shares related to employee stock transactions | — | 1,087,989 | — | — | 1,087,989 | — | — |
| PNC LTIP capital contribution | — | — | — | (103,064) | — | — | (103,064) |
| December 31, 2018 | 171,252,185 | (13,698,684) | 823,188 | 143,458 | 157,553,501 | 823,188 | 143,458 |
| Shares repurchased | — | (4,018,905) | — | — | (4,018,905) | — | — |
| Net issuance of common shares related to employee stock transactions | — | 841,184 | — | — | 841,184 | — | — |
| PNC LTIP capital contribution | — | — | — | (143,458) | — | — | (143,458) |
| **December 31, 2019** | **171,252,185** | **(16,876,405)** | **823,188** | **—** | **154,375,780** | **823,188** | **—** |

### 24. Restructuring Charge

A restructuring charge of $60 million ($47 million after-tax), comprised of $53 million of severance and $7 million of expense related to the accelerated amortization of previously granted equity compensation awards, was recorded in the fourth quarter of 2018 in connection with an initiative to modify the size and shape of the workforce.

The table below presents a rollforward of the Company's restructuring liability for the year ended December 31, 2019 and 2018, which is included in other liabilities on the consolidated statements of financial condition:

| *(in millions)* | |
|---|---|
| Liability as of December 31, 2017 | $ — |
| Additions | 60 |
| Accelerated amortization expense of equity-based awards | (7) |
| Liability as of December 31, 2018 | $ 53 |
| Cash payments | (53) |
| **Liability as of December 31, 2019** | **$ —** |

### 25. Income Taxes

The components of income tax expense for 2019, 2018 and 2017, are as follows:

| *(in millions)* | 2019 | 2018 | 2017 |
|---|---|---|---|
| Current income tax expense: | | | |
| Federal | **$ 735** | $ 605 | $ 1,166 |
| State and local | **109** | 97 | 36 |
| Foreign | **400** | 600 | 289 |
| Total net current income tax expense | **1,244** | 1,302 | 1,491 |
| Deferred income tax expense (benefit): | | | |
| Federal | **15** | (71) | (1,382) |
| State and local | **7** | (1) | 81 |
| Foreign | **(5)** | (154) | 80 |
| Total net deferred income tax expense (benefit) | **17** | (226) | (1,221) |
| Total income tax expense | **$ 1,261** | $ 1,076 | $ 270 |

Income tax expense has been based on the following components of income before taxes, less net income (loss) attributable to NCI:

| *(in millions)* | 2019 | 2018 | 2017 |
|---|---|---|---|
| Domestic | **$ 3,766** | $ 3,536 | $ 3,280 |
| Foreign | **1,971** | 1,845 | 1,942 |
| Total | **$ 5,737** | $ 5,381 | $ 5,222 |

The foreign income before taxes includes countries that have statutory tax rates that are different than the US federal statutory tax rate of 21%, such as the United Kingdom, Ireland, Canada and Netherlands.

A reconciliation of income tax expense with expected federal income tax expense computed at the applicable federal income tax rate of 21% for 2019 and 2018 and 35% for 2017 is as follows:

| *(in millions)* | **2019** | | 2018 | | 2017 | |
|---|---|---|---|---|---|---|
| Statutory income tax expense | **$ 1,205** | **21%** | $ 1,130 | 21% | $ 1,834 | 35% |
| Increase (decrease) in income taxes resulting from: | | | | | | |
| State and local taxes (net of federal benefit) | **96** | **2** | 99 | 2 | 60 | 1 |
| Impact of federal, foreign, state, and local tax rate changes on deferred taxes | **5** | **—** | 0 | — | (1,637) | (31) |
| Mandatory deemed repatriation tax | **—** | **—** | 0 | — | 477 | 9 |
| Stock-based compensation awards | **(23)** | **—** | (64) | (1) | (159) | (3) |
| Effect of foreign tax rates | **(76)** | **(1)** | (119) | (2) | (337) | (6) |
| Other | **54** | **—** | 30 | — | 32 | — |
| Income tax expense | **$ 1,261** | **22%** | $ 1,076 | 20% | $ 270 | 5% |

Deferred income taxes are provided for the effects of temporary differences between the tax basis of an asset or liability and its reported amount in the consolidated financial statements. These temporary differences result in taxable or deductible amounts in future years.

The components of deferred income tax assets and liabilities are shown below:

| | **December 31,** | |
|---|---|---|
| *(in millions)* | **2019** | **2018** |
| Deferred income tax assets: | | |
| Compensation and benefits | **$ 282** | $ 267 |
| Loss carryforwards | **84** | 82 |
| Other | **481** | 362 |
| Gross deferred tax assets | **847** | 711 |
| Less: deferred tax valuation allowances | **(51)** | (68) |
| Deferred tax assets net of valuation allowances | **796** | 643 |
| Deferred income tax liabilities: | | |
| Goodwill and acquired indefinite-lived intangibles | **3,971** | 3,939 |
| Acquired finite-lived intangibles | **179** | 48 |
| Unrealized investment gains | **63** | 30 |
| Other | **142** | 34 |
| Gross deferred tax liabilities | **4,355** | 4,051 |
| Net deferred tax (liabilities) | **$ (3,559)** | $ (3,408) |

Deferred income tax assets and liabilities are recorded net when related to the same tax jurisdiction. At December 31, 2019, the Company recorded on the consolidated statement of financial condition deferred income tax assets, within other assets, and deferred income tax liabilities of $175 million and $3,734 million, respectively. At December 31, 2018, the Company recorded on the consolidated statement of financial condition deferred income tax assets, within other assets, and deferred income tax liabilities of $163 million and $3,571 million, respectively.

Income tax expense for 2019 included a $28 million discrete tax benefit, primarily related to stock-based compensation awards that vested in 2019.

Income tax expense for 2018 reflected a reduced tax rate associated with The 2017 Tax Cuts and Jobs Act and $81 million of discrete tax benefits, primarily related to changes in the Company's organizational entity structure and a $64 million discrete tax benefit, related to stock-based compensation awards that vested in 2018.

At December 31, 2019 and 2018, the Company had available state net operating loss carryforwards of $1.9 billion and $2.9 billion, respectively, which will begin to expire in 2020. At December 31, 2019 and 2018, the Company had foreign net operating loss carryforwards of $110 million and $76 million, respectively, of which $3 million will begin to expire in 2021.

At December 31, 2019 and 2018, the Company had $51 million and $68 million of valuation allowances for deferred income tax assets, respectively, recorded on the consolidated statements of financial condition.

Goodwill recorded in connection with the Quellos Transaction has been reduced during the period by the amount of tax benefit realized from tax-deductible goodwill. See Note 11, *Goodwill*, for further discussion.

Current income taxes are recorded net on the consolidated statements of financial condition when related to the same tax jurisdiction. At December 31, 2019, the Company had current income taxes receivable and payable of $282 million and $293 million, respectively, recorded in other assets and accounts payable and accrued liabilities, respectively. At December 31, 2018, the Company had current income taxes receivable and payable of $282 million and $341 million, respectively, recorded in other assets and accounts payable and accrued liabilities, respectively.

The following tabular reconciliation presents the total amounts of gross unrecognized tax benefits:

| *(in millions)* | 2019 | 2018 | 2017 |
|---|---|---|---|
| Balance at January 1 | **$ 795** | $ 629 | $ 410 |
| Additions for tax positions of prior years | **99** | 82 | 161 |
| Reductions for tax positions of prior years | **(27)** | (15) | (3) |
| Additions based on tax positions related to current year | **47** | 102 | 67 |
| Lapse of statute of limitations | **(4)** | (3) | (6) |
| Settlements | **(10)** | — | — |
| Balance at December 31 | **$ 900** | $ 795 | $ 629 |

Included in the balance of unrecognized tax benefits at December 31, 2019, 2018 and 2017, respectively, are $513 million, $462 million and $316 million of tax benefits that, if recognized, would affect the effective tax rate.

The Company recognizes interest and penalties related to income tax matters as a component of income tax expense. Related to the unrecognized tax benefits noted above, the Company accrued interest and penalties of $27 million during 2019 and in total, as of December 31, 2019, had recognized a liability for interest and penalties of $133 million. The Company accrued interest and penalties of $30 million during 2018 and in total, as of December 31, 2018, had recognized a liability for interest and penalties of $106 million. The Company accrued interest and penalties of $17 million during 2017 and in total, as of December 31, 2017, had recognized a liability for interest and penalties of $76 million.

BlackRock is subject to US federal income tax, state and local income tax, and foreign income tax in multiple jurisdictions. Tax years after 2009 remain open to US federal income tax examination.

In June 2014, the Internal Revenue Service commenced its examination of BlackRock's 2010 through 2012 tax years. During 2019, the Internal Revenue Service commenced its examination of BlackRock's 2013 through 2015 tax years. While the examination impact on the Company's consolidated financial statements is undetermined, it is not expected to be material.

The Company is currently under audit in several state and local jurisdictions. The significant state and local income tax examinations are in New York State for tax years 2012 through 2014, New York City for tax years 2009 through 2011, and California for tax years 2015 through 2016. No state and local income tax audits cover years earlier than 2009. No state and local income tax audits are expected to result in an assessment material to BlackRock's consolidated financial statements.

Upon conclusion of its examination, Her Majesty's Revenue and Customs issued a closure notice during 2017 for various UK BlackRock subsidiaries for tax years 2009 and years after. The Company made a decision to pursue litigation for the tax matters included on such notice. BlackRock does not expect the ultimate resolution to result in a material impact to the consolidated financial statements.

From time to time, BlackRock may receive or be subject to tax authorities' assessments and challenges related to income taxes. BlackRock does not currently expect the ultimate resolution of any existing matters to be material to the consolidated financial statements.

At December 31, 2019, it is reasonably possible the total amounts of unrecognized tax benefits will change within the next twelve months due to completion of tax authorities' exams or the expiration of statues of limitations. Management estimates that the existing liability for uncertain tax positions could decrease by approximately $5 million to $20 million within the next twelve months.

**26. Earnings Per Share**

The following table sets forth the computation of basic and diluted EPS for 2019, 2018 and 2017 under the treasury stock method:

| *(in millions, except shares and per share data)* | 2019 | 2018 | 2017 |
|---|---|---|---|
| Net income attributable to BlackRock | **$ 4,476** | $ 4,305 | $ 4,952 |
| Basic weighted-average shares outstanding | **156,014,343** | 160,301,116 | 162,160,601 |
| Dilutive effect of nonparticipating RSUs and stock options | **1,445,203** | 1,647,616 | 2,254,434 |
| Total diluted weighted-average shares outstanding | **157,459,546** | 161,948,732 | 164,415,035 |
| Basic earnings per share | **$ 28.69** | $ 26.86 | $ 30.54 |
| Diluted earnings per share | **$ 28.43** | $ 26.58 | $ 30.12 |

Anti-dilutive RSUs and stock options for 2019, 2018 and 2017 were immaterial. In addition, performance-based RSUs and stock options are excluded from potential dilution until the designated performance conditions are met.

## 27. Segment Information

The Company's management directs BlackRock's operations as one business, the asset management business. The Company utilizes a consolidated approach to assess performance and allocate resources. As such, the Company operates in one business segment.

The following table illustrates total revenue for 2019, 2018 and 2017 by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the customer resides or affiliated services are provided.

*(in millions)*

| **Revenue** | **2019** | 2018 | 2017 |
|---|---|---|---|
| Americas | **$ 9,703** | $ 9,303 | $ 8,798 |
| Europe | **4,158** | 4,217 | 4,126 |
| Asia-Pacific | **678** | 678 | 676 |
| Total revenue | **$ 14,539** | $ 14,198 | $ 13,600 |

See Note 17, *Revenue*, for further information on the Company's sources of revenue.

The following table illustrates long-lived assets that consist of goodwill and property and equipment at December 31, 2019 and 2018 by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the asset is physically located.

*(in millions)*

| **Long-lived Assets** | **2019** | 2018 |
|---|---|---|
| Americas | **$ 13,830** | $ 13,780 |
| Europe | **1,360** | 303 |
| Asia-Pacific | **87** | 86 |
| Total long-lived assets | **$ 15,277** | $ 14,169 |

Americas is primarily comprised of the United States, Latin America and Canada, while Europe is primarily comprised of the United Kingdom, the Netherlands and Luxembourg. Asia-Pacific is primarily comprised of Hong Kong, Australia, Japan and Singapore.

## 28. Selected Quarterly Financial Data (unaudited)

*(in millions, except shares and per share data)*

| **2019** | **1st Quarter(1)** | **2nd Quarter** | **3rd Quarter(2)** | **4th Quarter(3)** |
|---|---|---|---|---|
| Revenue | **$ 3,346** | **$ 3,524** | **$ 3,692** | **$ 3,977** |
| Operating income | **$ 1,233** | **$ 1,278** | **$ 1,502** | **$ 1,538** |
| Net income | **$ 1,060** | **$ 1,013** | **$ 1,119** | **$ 1,334** |
| Net income attributable to BlackRock, Inc. | **$ 1,053** | **$ 1,003** | **$ 1,119** | **$ 1,301** |
| Earnings per share attributable to BlackRock, Inc. common stockholders: | | | | |
| Basic | **$ 6.65** | **$ 6.46** | **$ 7.21** | **$ 8.38** |
| Diluted | **$ 6.61** | **$ 6.41** | **$ 7.15** | **$ 8.29** |
| Weighted-average common shares outstanding: | | | | |
| Basic | **158,268,034** | **155,354,552** | **155,280,877** | **155,195,733** |
| Diluted | **159,348,431** | **156,360,741** | **156,447,387** | **156,894,201** |
| Dividend declared per share | **$ 3.30** | **$ 3.30** | **$ 3.30** | **$ 3.30** |
| **2018** | | | | |
| Revenue | $ 3,583 | $ 3,605 | $ 3,576 | $ 3,434 |
| Operating income | $ 1,375 | $ 1,440 | $ 1,396 | $ 1,246 |
| Net income | $ 1,094 | $ 1,078 | $ 1,203 | $ 927 |
| Net income attributable to BlackRock, Inc. | $ 1,089 | $ 1,073 | $ 1,216 | $ 927 |
| Earnings per share attributable to BlackRock, Inc. common stockholders: | | | | |
| Basic | $ 6.75 | $ 6.67 | $ 7.59 | $ 5.84 |
| Diluted | $ 6.68 | $ 6.62 | $ 7.54 | $ 5.78 |
| Weighted-average common shares outstanding: | | | | |
| Basic | 161,250,018 | 160,980,960 | 160,141,506 | 158,859,998 |
| Diluted | 162,918,961 | 162,161,937 | 161,378,217 | 160,450,266 |
| Dividend declared per share | $ 2.88 | $ 2.88 | $ 3.13 | $ 3.13 |

(1) The first quarter of 2019 and 2018 included $22 million and $56 million, respectively, of discrete tax benefit related to stock-based compensation awards that vested in the first quarter of each respective year.

(2) The third quarter of 2018 benefited from $90 million of discrete tax items, primarily related to changes in the Company's organizational entity structure.

(3) The fourth quarter of 2018 included a pre-tax restructuring charge of $60 million.

**29. Subsequent Events**

In January 2020, the Company issued $1 billion in aggregate principal amount of 2.40% senior unsecured and unsubordinated notes maturing on April 30, 2030 (the “2030 Notes”). The net proceeds of the 2030 Notes will be used for general corporate purposes. Interest of approximately $24 million per year will be payable semi-annually on April 30 and October 30 of each year, commencing April 30, 2020. The 2030 Notes may be redeemed prior to January 30, 2030 in whole or in part at any time, at the option of the Company, at a “make-whole” redemption price or at 100% of the principal amount of the 2030 Notes thereafter. The discount and debt issuance costs will be amortized over the term of the 2030 Notes.

On January 29, 2020, the Board of Directors approved BlackRock’s quarterly dividend of $3.63 per share to be paid on March 23, 2020 to stockholders of record at the close of business on March 5, 2020.

On February 13, 2020, BlackRock announced the establishment of The BlackRock Foundation (the “Foundation”) and the contribution of its remaining stake in PennyMac Financial Services, Inc. to the new Foundation and the BlackRock Charitable Fund, which BlackRock established in 2013. The contribution will result in an operating expense of $589 million, which is expected to be offset by an approximately $125 million noncash, nonoperating pre-tax gain on the contributed shares and a tax benefit of approximately $241 million. The contribution will provide long-term funding for BlackRock’s philanthropic investments and partnerships.

The Company conducted a review for additional subsequent events and determined that no subsequent events had occurred that would require accrual or additional disclosures.

# *AGENDA SUMMARY PAGE*
**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**14**

**DEPARTMENT: Finance** **CONSENT**
**DIRECTOR: Venetta Appleyard**

**SUBJECT:**
For possible action to approve award of Modification No. 2 to Contract No. 200126-JL, Smart City Service II, located in the area generally bounded by South Third Street to the East, West Boston Street to the South, Hinson Street to the West, and West Washington Avenue to the North - Department of Information Technologies - Award recommended to: NTT DATA, INC. (Not-to-Exceed $150,000 Annually - Traffic Improvements Capital Project Fund) - Wards 1, 3 and 5 (Knudsen, Diaz and Crear)

**FISCAL IMPACT:**
Budget Funds Available
Amount: Not-to-Exceed $150,000 Annually
Funding Source: Traffic Improvements CPF
Dept./Division: Information Technologies

**PURPOSE/BACKGROUND:**
On December 18, 2019, Council authorized award of Agreement No. 200126-JL in the amount of $490,500 for data sensor cameras in the Downtown Innovation District and at the Community Healing Garden and Showgirls Sign, to provide sound detection, enhanced object detection, license plate recognition, wrong way driving detection, and crowd counting functions. Modification No. 1, awarded by the Finance Director, added a pilot program for an advanced thermographic camera at the 500 South Main Street Garage. This Modification No. 2 adds data sensor cameras at Bob Baskin Park, Rotary Park, Stupak Park, and Ethel Pearson Park, as well as intersections where South Third Street crosses Coolidge Avenue, Hoover Avenue, Gass Avenue, Garces Avenue, and East Bonneville Avenue. This item is exempt from competitive bidding pursuant to NRS 332.115.1(b) Professional Services and NRS 332.195.1(b) Joinder or Mutual Use of Contracts by governmental entities. NTT Data, Inc. is located in Plano, Texas.

**RECOMMENDATION:**
Approve as recommended with signature authority granted to the Purchasing Manager per R-20-2017.

**BACKUP DOCUMENTATION:**
1. Modification No. 2 to Contract No. 200126-JL
2. Certificate - Disclosure of Ownership Principals

**MODIFICATION NO. 2**
**AGREEMENT NO. 200126-JL SMART CITY SERVICE II**
**Additional Park and Intersection Use Cases**

THIS MODIFICATION NO. 2 is being entered into this _____ day of _____, 2020, by and between the CITY OF LAS VEGAS (hereinafter, "City"), a municipal corporation within the State of Nevada having its principal office at 495 South Main Street, Las Vegas, Nevada 89101, and NTT DATA, INC., (hereinafter the "Company"), a corporation organized and existing under the laws of the State of Texas, having its principal office located at 7950 Legacy Drive, Suite 900, Texas 75024.

The purpose of this Modification is to add City Park and Intersection services use cases, and provide the City with an option to purchase supplemental services from the Company.

The Agreement between the City and the Company dated December 18, 2019 is hereby modified as follows:

1. **Section 2: Services Overview:**

Smart City services scope is being modified to include the following City sites and services:

Park:
1. Park #1 – Bob Baskin Park
2. Park #2 – Rotary Park
3. Park #3 – Stupak Park
4. Park #4 – Ethel Pearson Park

Intersections (these 5 intersections pertain to 3rd Street site):
5. Intersection #1 – Coolidge & 3rd Street
6. Intersection #2 – Hoover & 3rd Street
7. Intersection #3 – Gass & 3rd Street
8. Intersection #4 – Garces & 3rd Street
9. Intersection #5 – Bonneville & 3rd Street

Below is the description of sensors to be utilized and the use cases to be implemented:

| Park | Use Cases | Number of Smart Platform Sensors (Cameras) | Speakers |
|---|---|---|---|
| Bob Baskin Park | 1. Pedestrian Count | 11 | |
| | 2. License Plate Recognition | 2 | |
| | 3. Notification Speaker | | 4 |
| Rotary Park | 1. Pedestrian Count | 6 | |
| | 2. License Plate Recognition | 2 | |
| | 3. Notification Speaker | | 4 |
| Stupak Park | 1. Pedestrian Count | 1 | |
| | 2. Notification Speaker | | 1 |
| Ethel Pearson Park | 1. Pedestrian Count | 3 | |
| | 2. Notification Speaker | | 1 |

| Intersection | Use Cases | Number of Smart Platform Sensors (Cameras) | Speakers |
|---|---|---|---|
| Coolidge & 3rd Street | 1. Pedestrian Count | 1 | |
| | 2. Vehicle Count | 1 | |
| | 3. Notification Speaker | | 1 |
| Hoover & 3rd Street | 1. Pedestrian Count | 1 | |
| | 2. Vehicle Count | 1 | |
| | 3. Notification Speaker | | 1 |
| Gass & 3rd Street | 1. Pedestrian Count | 1 | |
| | 2. Vehicle Count | 1 | |
| | 3. Notification Speaker | | 1 |
| Garces & 3rd Street | 1. Pedestrian Count | 1 | |
| | 2. Vehicle Count | 1 | |
| | 3. Notification Speaker | | 1 |
| Bonneville & 3rd Street | 1. Pedestrian Count | 1 | |
| | 2. Vehicle Count | 1 | |
| | 3. Notification Speaker | | 1 |

Go-live date for all sites will be finalized in collaboration with the City of Las Vegas within four (4) weeks of the date of this Modification.

Below are depictions showing typical sensor setup:



## 2. Pricing

All required sensors and hardware of every kind necessary will be procured and installed by the City. In no event shall the City be liable for payment of any services performed by the Company prior to the go-live date.

The Company will invoice City of Las Vegas on a monthly basis upon acceptance of the deployment at the new sites (as detailed in this Modification). This is being offered as a special discounted price to the City. The City shall pay invoices submitted by the Company within thirty (30) days of receipt.

A. Pricing for each Park shall be at the rate of $2,500 per park, per month, and the City may select any or all of the four (4) parks herein, in which to continue services.

B. The total price for all 5 Intersections (as detailed above in Section 1 Services Overview) shall be at the rate of $2,500 per month.

Each site will be considered accepted once -
(1) the data is rendered on the dashboard; and
(2) the City has reviewed the rendered data on dashboard for a minimum period of three (3) days

## 3. General

In the event of any conflict between the Agreement, any previous modification, and this Modification, the provisions of this Modification No. 2 take precedence. All other Agreement terms and conditions remain unchanged.

**THE REMAINDER OF THIS PAGE IS INTENTIONALLY BLANK**

IN WITNESS WHEREOF, the parties hereto have caused this Modification No. 2 to be executed by their duly authorized representatives.

**CITY OF LAS VEGAS**

VENETTA APPLEYARD Date
Director of Finance

**NTT DATA, INC.**

DocuSigned by:
Robert Dority 6/18/2020
97AB400A7E924C9...

ROBERT DORITY Date
VP, Public Sector

ATTEST:

LUANN D. HOLMES, MMC Date
City Clerk

APPROVED AS TO FORM:

Dimitri P. Dalacas
Deputy City Attorney
6/18/2020

Deputy City Attorney Date

# ATTACHMENT 1 - CERTIFICATE - DISCLOSURE OF OWNERSHIP/PRINCIPALS

## 1. Definitions

*"City"* means the City of Las Vegas.

*"City Council"* means the governing body of the City of Las Vegas.

*"Contracting Entity,"* means the individual, partnership, or corporation seeking to enter into a contract with the City of Las Vegas.

"*Principal"* means, for each type of business organization, the following: (a) sole proprietorship – the owner of the business; (b) corporation – the directors and officers of the corporation; but not any branch managers of offices which are a part of the corporation; (c) partnership – the general partner and limited partners; (d) limited liability company – the managing member as well as all the other members; (e) trust – the trustee and beneficiaries.

## 2. Policy

In accordance with Resolutions 79-99, 105-99 and RA-4-99, adopted by the City Council, Contracting Entities seeking to enter into certain contracts with the City of Las Vegas must disclose information regarding ownership interests and principals. Such disclosure generally is required in conjunction with a Request for Proposals (RFP). In other cases, such disclosure must be made prior to the execution of a contract.

## 3. Instructions

The disclosure required by the Resolutions referenced above shall be made through the completion of this Certificate. The Contracting Entity shall complete Block 1, Block 2, and Block 3. The Contracting Entity shall complete either Block 4 or its alternate in Block 5. Specific information, which must be provided, is highlighted.

## 4. Incorporation

An updated and notarized Certificate shall be incorporated into the resulting contract, if any, between the City and the Contracting entity. Upon execution of such contract, the Contracting Entity is under a continuing obligation to notify the City in writing of any material changes to the information in this Certificate. This notification shall be made within fifteen (15) days of the change. Failure to notify the City of any material change may result, at the option of the City, in a default termination (in whole or in part) of the contract, and/or a withholding of payments due the Contracting Entity.

| **Block 1: Contracting Entity** | |
|---|---|
| **Name:** NTT DATA, Inc. | |
| **Address:** 7950 Legacy Drive, Suite 900 | **City / ST / Zip:** Plano, Texas 75024 |
| **Telephone:** 703-848-7349 | **EIN or DUNS :** EIN 04-2437166 |
| **Block 2: Description / Subject Matter of Contract** | |
| **Services for:** Smart City Service II | **Project Number:** 200126-JL |

**Block 3:** **Type of Business**

☐ Individual ☐ Partnership ☐ Limited Liability Company ☒ Corporation ☐ Trust ☐ Other:

## CERTIFICATE – DISCLOSURE OF OWNERSHIP/PRINCIPALS (CONTINUED)

**Block 4: Disclosure of Ownership and Principals**

In the space below, the Contracting Entity must disclose all principals (including partners) of the Contracting Entity, as well as persons or entities holding more than one-percent (1%) ownership interest in the Contracting Entity.

| | FULL NAME/TITLE | BUSINESS ADDRESS | BUSINESS PHONE |
|---|---|---|---|
| 1 | NTT Data International L.L.C. | 7950 Legacy Drive, Plano, TX 75024 | 703-848-7349 |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| 5 | | | |
| 6 | | | |
| 7 | | | |
| 8 | | | |
| 9 | | | |
| 10 | | | |

The Contracting Entity shall continue the above list on a sheet of paper entitled "Disclosure of Ownership/Principals – Continuation" until full and complete disclosure is made. If continuation sheets are attached, please indicate the number of sheets: _____

**Block 5: Disclosure of Ownership and Principals – Alternate**

If the Contracting Entity, or its principals or partners, are required to provide disclosure (of persons or entities holding an ownership interest) under federal law (such as disclosure required by the Securities and Exchange Commission or the Employee Retirement Income Act), a copy of such disclosure may be attached to this Certificate in lieu of providing the information set forth in Block 4 above. A description of such disclosure documents must be included below.

Name of Attached Document: _____

Date of Attached Document: _____ Number of Pages: ____

**Contracting Party Certification** ***(Notarized signature required in event of contract award per section 4, "Incorporation")***

I certify under penalty of perjury, that all the information provided in this Certificate is current, complete and accurate. I further certify that I am an individual authorized to contractually bind the above named Contracting Entity.

_____
Signature

December 3, 2019
Date

Subscribed and sworn to before me this 3rd day of December, 2019

_____
Notary Signature

LACRESHA DENISE MIRRIELEES
NOTARY PUBLIC
REG. #7163093
COMMONWEALTH OF VIRGINIA
MY COMMISSION EXPIRES APRIL 30, 2020

# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**15**

**DEPARTMENT: Fire & Rescue** **CONSENT**
**DIRECTOR: William McDonald**

**SUBJECT:**
For possible action to approve an Interlocal Agreement between the City of Las Vegas and the City of Henderson to transfer ownership of four (4) AreaRAE Pro Hazardous Materials (HazMat) Gas Detectors from the City of Henderson Fire Department to Las Vegas Fire & Rescue - All Wards

**FISCAL IMPACT:**
None

**PURPOSE/BACKGROUND:**
The Interlocal will approve the ownership transfer of grant-funded HazMat gas detection equipment valued at $71,209.30, purchased by the City of Henderson, acting as the grant awardee for the 2018 Homeland Security Grant Program Urban Area Security Initiative Grant award number 97067.18-3100 to Las Vegas Fire & Rescue as the grant sub recipient in the regional grant application

**RECOMMENDATION:**
Approval

**BACKUP DOCUMENTATION:**
1. Interlocal Agreement

## INTERLOCAL AGREEMENT

This Interlocal Agreement ("Contract") is made and entered into on the Effective Date by and between the City of Henderson, a municipal corporation and political subdivision of the State of Nevada, for and on behalf of the Henderson Fire Department (the "City") and the City of Las Vegas, a municipal corporation and political subdivision of the State of Nevada, for and on behalf of its Fire and Rescue Department (the "Subrecipient"). The City and Subrecipient are sometimes hereinafter referred to individually as a "Party" and collectively as the "Parties."

WHEREAS, the State of Nevada, Department of Public Safety, Division of Emergency Management (the "DEM") awarded the City a Federal Fiscal Year ("FFY") 2018 Homeland Security Grant Program Urban Area Security Initiative grant, project title "Henderson Regional Hazmat Capability" and award number 97067.18-3100, (the "Grant Award") funded by the U.S. Department of Homeland Security; and

WHEREAS, using Grant Award funds, the City purchased the items listed in EXHIBIT "A" (ASSETS TO BE TRANSFERRED TO SUBRECIPIENT, CFDA #97067.18-3100) (the "Assets"); and

WHEREAS, the Parties want the City to transfer to Subrecipient the Assets; and

WHEREAS, NRS 277.180 authorizes any one or more public agencies to contract with any one or more other public agencies to perform any governmental service, activity or undertaking which any of the public agencies entering into the contract is authorized by law to perform; and

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants, terms and conditions contained in and set forth below and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the Parties agree as follows:

1. City used Grant Award funds to purchase the Assets and, subject to Section 4 below, shall transfer those Assets to Subrecipient. The Assets' purchase price is $71,209.30.
2. Grant Award requirements are identified in the Grant Award. A copy of the Grant Award signed by City is attached under EXHIBIT "B" (GRANT AWARD).
3. Subrecipient acknowledges that, because the Assets are being transferred to Subrecipient, the Grant Award requirements apply to the Assets and to Subrecipient even though City, not Subrecipient, signed the Grant Award. At Subrecipient's cost, Subrecipient agrees to adhere to all requirements in the Grant Award, including using, managing and disposing of the Assets in accordance with 2 CFR Part 200, causing to be performed the required financial and compliance audits and not assigning, transferring or delegating any rights, obligations or duties under the Grant Award without prior knowledge or written approval of DEM. To enable City to comply with all Grant Award requirements, Subrecipient shall timely provide City with documentation supporting transfer of the Assets, timely provide, sign and deliver additional documentation requested by City or

DEM and take such further actions as City or DEM may reasonably request, such as signing and delivering to DEM the then-current "Standard Assurances for Nevada Division of Emergency Management's (DEM) Federal Grant Programs." Subrecipient accepts the transfer of the Assets. However, if City does not transfer the Assets to Subrecipient before this Contract terminates, then the Grant Award requirements shall not apply to Subrecipient. If City transfers the Assets to Subrecipient before this Contract terminates, the obligations in this Section 3 survive termination of this Contract.

4. Subrecipient understands and agrees that City shall not be obligated to purchase and/or transfer to Subrecipient the Assets if all or a portion of the Grant Award funds for any reason are terminated or withheld from City or are otherwise not forthcoming.

5. Subrecipient shall allow authorized representatives of City to conduct reviews, audits and on-site monitoring of the Assets. The obligations in this Section 5 survive termination of this Contract.

6. This Contract shall be effective on the date of Henderson City Council action (as reflected on the signature page below) (the "Effective Date") and shall terminate on August 31, 2020. Prior to August 31, 2020, a Party may terminate this Contract for any reason by providing written notice to the other Party at least 60 days prior to termination and in that notice specifying the effective date of such termination.

7. Neither Party waives any right or defense to indemnification that may exist in law or equity.

8. All exhibits are incorporated into and made a part of this Contract. This Contract constitutes the entire agreement between the Parties and is intended as a complete and exclusive statement of the promises, representations, negotiations, discussions, and other agreements that may have been made in connection with the subject matter hereof. This Contract may not be amended or modified except by written instrument executed by the authorized representatives of each Party with the same formality as this Contract, and any other attempt to modify or amend this Contract shall have no force or effect. The failure of either Party to enforce any of the provisions of this Contract at any time, or to require performance by the other Party of any of the provisions of this Contract at any time, will not be a waiver of any provisions, will not in any way affect the validity of this Contract and will not affect the right of any Party to enforce each and every provision. No performance obligation in this Contract or any breach thereof shall be deemed waived unless such waiver is in writing and signed by the Party claimed to have waived such performance obligation or breach. This Contract may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument.

9. All notices required under this Contract shall be in writing and delivered by personal delivery, by a recognized courier, or by registered or certified U.S. mail (postage prepaid, return receipt requested), and addressed to the receiving Party at the address below. Such notice shall be deemed to have been received by the

Party to whom it was address as follows: (a) if hand delivered, on the date of personal delivery to the Party to whom addressed; (b) if delivered by courier, on the date officially recorded as delivered (or delivery refused) according to the record of delivery; and (c) if mailed, three (3) business days following deposit in the U.S. Mail. For purposes hereof, each Party's notice information is set forth below:

**To City**: City of Henderson
Fire Department
Attn: Shawn White, Fire Chief
Henderson City Hall
240 S. Water Street
Henderson, NV 89015

**To Subrecipient**: City of Las Vegas Fire & Rescue Department
Attn: Director/Fire Chief
Fire Station 1
500 N. Casino Center Boulevard
Las Vegas, NV 89101

A Party may designate a new contact person under this provision for notices or change the address indicated above by notifying the other Party in writing in the manner set forth above.

[SIGNATURES ON FOLLOWING PAGES]

**IN WITNESS WHEREOF**, the Parties have executed and delivered this Contract as of the Effective Date.

**CITY OF HENDERSON, NEVADA**

By: _____
Richard A. Derrick Date
City Manager/CEO

**ATTEST:**

Date of City Council Action: _____

_____
Sabrina Mercadante, MMC
City Clerk

**APPROVED AS TO FUNDING:**

_____
Jim McIntosh
Chief Financial Officer

**APPROVED AS TO CONTENT:**

_____
Shawn White
Fire Chief

**APPROVED AS TO FORM:**

_____ _____
Nicholas G. Vaskov CAO
City Attorney Review

**ATTEST:**

_____
LuAnn Holmes
City Clerk

Date: _____

**CITY OF LAS VEGAS**

By: _____
Carolyn G. Goodman
Mayor

Date: _____

**APPROVED AS TO FORM:**

John S. Ridilla 4/28/2020
Deputy City Attorney

John S. Ridilla
Deputy City Attorney

**EXHIBIT "A"**

**ASSETS TO BE TRANSFERRED TO SUBRECIPIENT**
**CFDA #97067.18-3100**

| | |
|---|---|
| 1. AreaRAE Pro with Gamma Rapid Deployment Kit: | $71,209.30 |
| a. Consist of (4) separate AreaRAE Pro Gas Detectors; | |
| i. SN: W01A00002157<br>Asset ID: LVFR-2157 | |
| ii. SN: W01A00002158<br>Asset ID: LVFR-2158 | |
| iii. SN: W01A00002159<br>Asset ID: LVFR-2159 | |
| iv. SN: W01A00002160<br>Asset ID: LVFR-2160 | |
| **TOTAL:** | $71,209.30 |

**EXHIBIT "B"**

**GRANT AWARD**

[Attached]

Brian Sandoval
*Governor*

Nevada Department of Public Safety

James M. Wright
*Director*

Caleb S. Cage
*Chief*

**Division of Emergency Management**
**Homeland Security**
2478 Fairview Drive
Carson City, Nevada 89701
Telephone (775) 687-0300 • Fax (775) 687-0322 • http://dem.state.nv.us/

September 19, 2018

Shawn White, Fire Chief
City of Henderson
240 Water Street - MSC 133
Henderson, NV 89002

Dear Chief White:

RE: Federal Fiscal Year 2018, Homeland Security Grant Award

The Department of Public Safety's Division of Emergency Management is pleased to enclose a Federal Fiscal Year 2018, Urban Area Security Initiative (UASI) grant award in the amount of $220,656.00.

The grant performance period is September 1, 2018 – August 31, 2020. The grant performance period is a condition of this grant award. All grant expenditures and reporting must be completed by the end of the grant performance period to receive reimbursement.

The grant award package includes the grant award, approved budget, investment justifications, federal assurances, grant management guide and reobligation guidelines. Please be aware that any modifications to the approved budget will require approval in advance, from this division through a "project change request" form. The federal assurances, grant management guide along with the grant award documents, have been updated for the FFY 2018 grant cycle. Please review these documents carefully to ensure compliance.

Please sign the original award, confirmation copy, federal assurances, grant management guide and return the original grant award, the signed federal assurances and signed grant management guide to the Nevada Division of Emergency Management, 2478 Fairview Drive, Carson City, Nevada, 89701. Please retain the confirmation copy, budget, a copy of the assurances and a copy of the grant management guide for your records.

If you have any questions, or if we can be of assistance with the administration of this grant, please contact the Homeland Security Grant Section, Nevada Division of Emergency Management, at (775) 687-0300.

Best regards,

Caleb S. Cage, Chief

CSC/sw/aa

*Attachments: Grant Award*
*Budget*
*Assurances*
*Grant Management Guide*
*Reobligation Guidelines*

# STATE OF NEVADA
## DEPARTMENT OF PUBLIC SAFETY (NDPS)
## DIVISION OF EMERGENCY MANAGEMENT (NDEM)

2478 Fairview Drive, Carson City, Nevada 89701
Telephone (775) 687-0300, Fax (775) 687-0322

**Sub Grant Award**

| | | | |
|---|---|---|---|
| | | FAIN NUMBER: | EMW-2018-SS-00066-S01 |
| SUBGRANTEE: | City of Henderson | CFDA / PROJECT NO: | 97067.18-3100 |
| ADDRESS: | 240 Water Street - MSC 133 Henderson, NV 89002 | NDEM DUNS: | 607025848 |
| PROGRAM NAME: | Department of Homeland Security (DHS) Grant FFY18 - State Homeland Security Program (UASI) | SUB-GRANTEE DUNS: | 025942165 |
| PROJECT TITLE: | Henderson Regional Hazmat Capability | SUBGRANTEE GRANT FUNDS: | $220,656.00 |
| SUBGRANTEE AWARD PERIOD: | September 1, 2018 - August 31, 2020 | SUBGRANTEE MATCHING FUNDS: | $0.00 |
| FEDERAL AWARD PERIOD TO DEM: | September 1, 2018 - August 31, 2021 | TOTAL SUBGRANTEE AWARD: | $220,656.00 |
| FEDERAL AWARD AMOUNT TO DEM: | $ 8,980,000.00 | | |
| Special Notes: | | | |

**APPROVED BUDGET FOR PROJECT**

| CATEGORY | TOTAL PROJECT COSTS | |
|---|---|---|
| Henderson Regional Hazmat Capability | | $220,656.00 |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| SUBGRANTEE FEDERAL GRANT TOTAL | | $220,656.00 |
| SUB-GRANTEE MATCH TOTAL | | $0.00 |

This award is subject to the requirements (federal, state, financial and program assurances) established by the Federal Government; the Nevada Department of Public Safety and the Nevada Division of Emergency Management. This award is subject to availability of federal funding.
Special Conditions: (If Applicable) This project is approved subject to such conditions or limitations as set forth on the attached page(s)
ATTACHMENTS: (1) FEDERAL & STATE ASSURANCES (2) FINANCIAL AND PROGRAM ASSURANCES (3) FEDERAL CERTIFICATIONS (4) SCOPE AND TIMELINE OF WORK (5) LINE ITEM DETAILED BUDGET.

| AGENCY APPROVAL | SUBGRANTEE ACCEPTANCE |
|---|---|
| Caleb S. Cage, Chief | Shawn White, Fire Chief |
| Name and Title of Appointing Official | Name and Title of Appointing Official |
| X Caleb S. Cage 9/27/2018 | X |
| Signature of Approving Official Date: | Signature of Approving Official Date: |

| Internal NDEM Review | |
|---|---|
| | EMPM |
| JL | ASO III |
| | GRM |

ORIGINAL

**STATE OF NEVADA**
**DEPARTMENT OF PUBLIC SAFETY (NDPS)**
**DIVISION OF EMERGENCY MANAGEMENT (NDEM)**

2478 Fairview Drive, Carson City, Nevada 89701
Telephone (775) 687-0300, Fax (775) 687-0322

## Sub Grant Award

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| Special Notes: | | | |

### APPROVED BUDGET FOR PROJECT

| CATEGORY | TOTAL PROJECT COSTS | |
|---|---|---|
| Henderson Regional Hazmat Capability | | $220,656.00 |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| SUBGRANTEE FEDERAL GRANT TOTAL | | $220,656.00 |
| SUB-GRANTEE MATCH TOTAL | | $0.00 |

This award is subject to the requirements (federal, state, financial and program assurances) established by the Federal Government; the Nevada Department of Public Safety and the Nevada Division of Emergency Management. This award is subject to availability of federal funding.
Special Conditions: (If Applicable) This project is approved subject to such conditions or limitations as set forth on the attached page(s)
ATTACHMENTS: (1) FEDERAL & STATE ASSURANCES (2) FINANCIAL AND PROGRAM ASSURANCES (3) FEDERAL CERTIFICATIONS (4) SCOPE AND TIMELINE OF WORK (5) LINE ITEM DETAILED BUDGET.

| AGENCY APPROVAL | SUBGRANTEE ACCEPTANCE |
|---|---|
| Caleb S. Cage, Chief | Shawn White, Fire Chief |
| Name and Title of Appointing Official | Name and Title of Appointing Official |
| X Caleb S. Cage 9/27/2018 | X |
| Signature of Approving Official Date | Signature of Approving Official Date: |

| Internal NDEM Review | |
|---|---|
| | EMPM |
| JR | ASO III |
| | GRM |

CONFIRMATION COPY

**HOMELAND SECURITY GRANT PROGRAM (HSGP)**
**FFY 2018**
**LINE ITEM DETAIL BUDGET**

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Agency Name | City of Henderson Fire Department | Project Manager Name & Contact # | Sean Patterson Fire Battalion Chief (702)267-5502 | | Grant Manager Name & Contact # | Heather Carson Fire Department Business Analyst II (702)267-2246 | | | | | | |
| | IJ TITLE: | Henderson Regional Hazmat Capability - Enhancement (Project Y) | | | | | | | | | | | |
| | | One Budget Per Funding Stream | | | | | | | | | | | |
| | | UASI | | | | | | | | | | | |
| Line # | CATEGORY | PERSONNEL DETAIL DESCRIPTION | Select Type | Previous Funding Type | Salary or Hourly | % of Effort | Calculation (hours) | Personnel Cost Amount | Primary Core Capability | Secondary Core Capability | AEL Ref # | Funding Source | Total Budget |
| | Personnel | Positions Require: How Many, Type, Max Amount of Time 12 mo, New, Existing & Description of Position. All personnel must be put under this category, please note each line with planning, organization, training or exercise. | | | | | | | | | | | |
| 1 | | | | | | | | $ - | | | | | $ - |
| 2 | | | | | | | | $ - | | | | | $ - |
| 3 | | | | | | | | $ - | | | | | $ - |
| 4 | | | | | | | | $ - | | | | | $ - |
| | Personnel Sub-Total | | | | | | | $ - | | | | | $ - |

PERSONNEL COST NARRATIVE REQUIRED FOR EACH LINE ITEM ABOVE - PLEASE EXPLAINE IN DETAIL THE POSITIONS AND DELIVERABLES. NARRATIVE WILL BE USED TO ENSURE ITEMS LISTED WILL BE COMPLETED IN THE GRANT CYCLE - ITEMS MAY NOT BE PURCHASED OUTSIDE THE ITEMS LISTED ABOVE WITHOUT A PRE-APPROVED PROJECT CHANGE REQUEST

Narrative HERE

| Line # | CATEGORY | FRINGE DETAIL DESCRIPTION | Purchase Type | Previous Funding Type | Salary Hourly | % of Effort | Calculation (hours) | Personnel Cost Amount | Primary Core Capability | Secondary Core Capability | AEL Ref # | Funding Source | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Fringe Benefits | Positions Require: Fringe to be separate from Personnel Costs above | | | | | | | | | | | |
| 5 | | | | | | | | $ - | | | | | $ - |
| 6 | | | | | | | | $ - | | | | | $ - |
| | Fringe Sub-Total | | | | | | | $ - | | | | | $ - |

FRINGE COST NARRATIVE REQUIRED FOR EACH LINE ITEM ABOVE - PLEASE EXPLAINE IN DETAIL THE POSITIONS AND DELIVERABLES. NARRATIVE WILL BE USED TO ENSURE ITEMS LISTED WILL BE COMPLETED IN THE GRANT CYCLE - ITEMS MAY NOT BE PURCHASED OUTSIDE THE ITEMS LISTED ABOVE WITHOUT A PRE-APPROVED PROJECT CHANGE REQUEST

Narrative HERE

| Line # | CATEGORY | PURPOSE OF EACH TRAVEL, LOCATION, HOW MANY DAYS, PER DIEM BREAKDOWN | Purchase Type | Previous Funding Type | Category of Each Travel | Travel Reference # from Addendum | Total Trips | Cost for each Trip | Total Cost | Primary Core Capability | Secondary Core Capability | Funding Source | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Travel, Planning, Training, Exercise Equipment, Organization | THIS IS A NEW REQUIREMENT TO PROVIDE ALL INFORMATION ON TRAVEL. ALL TRAVEL MUST BE LINE ITEMED OUT ON THE TRAVEL ADDENDUM PROVIDED. ALL DETAILS ARE REQUIRED. THIS CATEGORY IS FOR TRAVEL ONLY (INFORMATION NOT PROVIDED WILL NOT BE FUNDED BASED ON NON-COMPLIANCE) | Select Type | | | | - | | - | | | | |
| 9 | | | | | | | | | - | | | | - |
| 10 | | | | | | | | | - | | | | - |
| 11 | | | | | | | | | - | | | | - |
| | Travel Sub-Total | | | | | | | | - | | | | - |

TRAVEL COST NARRATIVE REQUIRED FOR EACH LINE ITEM ABOVE - PLEASE EXPLAINE IN DETAIL EACH LINE ITEM AND DELIVERABLES. NARRATIVE WILL BE USED TO ENSURE ITEMS LISTED WILL BE COMPLETED IN THE GRANT CYCLE - ITEMS MAY NOT BE PURCHASED OUTSIDE THE ITEMS LISTED ABOVE WITHOUT A PRE-APPROVED PROJECT CHANGE REQUEST

Narrative HERE

| Line # | CATEGORY | PLANNING DETAIL DESCRIPTION | Purchase Type | Previous Funding Type | | QUANTITY | UNIT COST | TOTAL | Primary Core Capability | Secondary Core Capability | AEL Ref # | Funding Source | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Planning | DESCRIPTION OF PLANNING ACTIVITES MUST BE DETAILED OUT (GENERAL TERMS AND INFORMATION WILL NOT BE ACCEPTED BASED UPON NON-COMPLIANCE) NO TRAVEL IN THIS CATEGORY | | | | | | | | | | | |
| 26 | | | | | | | | - | | | | | - |
| 27 | | | | | | | | - | | | | | - |
| | Planning Sub-Total | | | | | | | $ - | | | | | $ - |

PLANNING COST NARRATIVE REQUIRED FOR EACH LINE ITEM ABOVE - PLEASE EXPLAIN IN DETAIL THE POSITIONS AND DELIVERABLES. NARRATIVE WILL BE USED TO ENSURE ITEMS LISTED WILL BE COMPLETED IN THE GRANT CYCLE - ITEMS MAY NOT BE PURCHASED OUTSIDE THE ITEMS LISTED ABOVE WITHOUT A PRE-APPROVED PROJECT CHANGE REQUEST

Narrative HERE

| Line # | CATEGORY | ORGANIZATION DETAIL DESCRIPTION | Purchase Type | Previous Funding Type | | QUANTITY | UNIT COST | TOTAL | Primary Core Capability | Secondary Core Capability | AEL Ref # | Funding Source | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Organization | DESCRIPTION OF ORGANIZATION ACTIVITES MUST BE DETAILED OUT, SEE YOUR GUIDANCE FOR DESCRIPTION OF ORGANIZATION. THIS CATEGORY IS TYPICALLY FOR FUSION CENTER ACTIVITIES - TO INCLUDE OVERTIME, VEHICLE AND EQUIPMENT RENTALS, OPACKS AND CONTRACTORS ONLY THIS IS NOT A SUPPLY CATEGORY. | | | | | | | | | | | |
| 35 | | | | | | | | $ - | | | | | - |
| 36 | | | | | | | | $ - | | | | | - |
| | Organization Sub-Total | | | | | | | $ - | | | | | $ - |

ORGANIZATION COST NARRATIVE REQUIRED FOR EACH LINE ITEM ABOVE - PLEASE EXPLAIN IN DETAIL THE POSITIONS AND DELIVERABLES. NARRATIVE WILL BE USED TO ENSURE ITEMS LISTED WILL BE COMPLETED IN THE GRANT CYCLE - ITEMS MAY NOT BE PURCHASED OUTSIDE THE ITEMS LISTED ABOVE WITHOUT A PRE-APPROVED PROJECT CHANGE REQUEST

Narrative HERE

| Line # | CATEGORY | EQUIPMENT DETAIL DESCRIPTION | Purchase Type | Previous Funding Type | | QUANTITY | UNIT COST | TOTAL | Primary Core Capability | Secondary Core Capability | AEL Ref # | Funding Source | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Equipment | DESCRIPTION OF EQUIPMENT ACTIVITES MUST BE DETAILED OUT (GENERAL TERMS AND INFORMATION WILL NOT BE ACCEPTED BASED UPON NON-COMPLIANCE) SEE YOUR GUIDANCE FOR DESCRIPTION OF ORGANIZATION - NO TRAVEL IN THIS CATEGORY - Must an AEL | | | | | | | | | | | |
| | EHP Required prior to procurement / See 2nd tab to determine whether your project requires EHP Screening | | | | | | | | | | | | |
| 37 | | RDK Detector Kit, AreaRAE Pro, 1.0, includes: Pelican Case w/ (4) Pro Monitors, PID (ppb), 02, LEL, H2S, CO, Cl2, NH3,Gamma. RAEMet, ISM 900MHz, Mesh, Wi-Fi,Charging Cables, (4) Licenses, No Calibration Gas, RDK Accessories, No Host Controller | Enhance | Other Federal | | 2 | 68,880.00 | $ 137,760.00 | Operational Coordination | Threats and Hazards Identification | 07CD-01-DPMG | UASI | 137,760.00 |
| 38 | | MX908, 2nd generation handheld MS chemical identification system for gas/vapor, liquids and solids. Includes two (2) years of warranty and support and on-site training (expires 6 months after purchase, CONUS only). | Enhance | Other Federal | | 1 | 71,500.00 | $ 71,500.00 | Operational Coordination | Threats and Hazards Identification | 07CD-02-DPGC | UASI | 71,500.00 |
| 39 | | AutoRae 2- MultiRae cradle | Enhance | Other Federal | | 2 | 1,515.20 | $ 3,030.40 | Operational Coordination | Threats and Hazards Identification | 07CD-01-MOND | UASI | 3,030.40 |
| 40 | | ToxiRae cradle | Enhance | Other Federal | | 1 | 805.20 | $ 805.20 | Operational Coordination | Threats and Hazards Identification | 07CD-01-MOND | UASI | 805.20 |
| 41 | | ToxiRAE Pro (wireless) CO2 monitors | Enhance | Other Federal | | 2 | 1,005.20 | $ 2,010.40 | Operational Coordination | Threats and Hazards Identification | 07CD-01-MOND | UASI | 2,010.40 |
| 42 | | RAELink 3 Mesh | Enhance | Other Federal | | 2 | 2,550.00 | $ 5,100.00 | Operational Coordination | Threats and Hazards Identification | 07CD-01-MOND | UASI | 5,100.00 |
| 43 | | SensorRAE 4R+ | Enhance | Other Federal | | 1 | 450.00 | $ 450.00 | Operational Coordination | Threats and Hazards Identification | 07CD-01-MOND | UASI | 450.00 |
| 44 | | | | | | | | | | | | | |
| 45 | | | | | | | | | | | | | |
| 46 | | | | | | | | | | | | | |
| 47 | | | | | | | | | | | | | |
| | EQUIPMENT Sub-Total | | | | | | | $ 220,656.00 | | | | | $ 220,656.00 |

EQUIPMENT COST NARRATIVE REQUIRED FOR EACH LINE ITEM ABOVE - PLEASE EXPLAIN IN DETAIL THE POSITIONS AND DELIVERABLES. NARRATIVE WILL BE USED TO ENSURE ITEMS LISTED WILL BE COMPLETED IN THE GRANT CYCLE - ITEMS MAY NOT BE PURCHASED OUTSIDE THE ITEMS LISTED ABOVE WITHOUT A PRE-APPROVED PROJECT CHANGE REQUEST

**With this grant application, the Henderson Fire Department (HFD) would like to purchase chemical identification equipment in the amount of $82,896 and stationary air monitoring equipment for both HFD and Las Vegas Fire and Rescue (LVFR) for $137,760 for a total of $220,656. If awarded, HFD has already identified vendors and specific equipment items related to this request. Once the award letter is received and approved through its governing body, HFD will order the items; after received, test them; and then, put them in service immediately as well as distribute the air monitoring equipment to LVFR.**

| Line # | CATEGORY | TRAINING DETAIL DESCRIPTION | Purchase Type | Previous Funding Type | Coordinated with the State Training Officer? | Is This Request on the TEPW? | QUANTITY | UNIT COST | Primary Core Capability | Secondary Core Capability | TOTAL | AEL Ref # | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Training | All Training in this category must be coordinated with the State/UASI Training Officer, Training Must have a FEMA/DHS Course #. Must Support SPR, THIRA, Strategy (NO TRAVEL IN THIS CATEGORY) Add Course # in Description | | | | | - | - | | | | | |
| 48 | | | | | | | | | | | $ - | | - |
| 49 | | | | | | | | | | | $ - | | - |
| 50 | | | | | | | | | | | $ - | | - |
| 51 | | | | | | | | | | | $ - | | - |
| | Training Sub-Total | | | | | | | | | | $ - | | - |
| TRAINING COST NARRATIVE REQUIRED FOR EACH LINE ITEM ABOVE - PLEASE EXPLAINE IN DETAIL THE POSITIONS AND DELIVERABLES - NARRATIVE WILL BE USED TO ENSURE ITEMS LISTED WILL BE COMPLETED IN THE GRANT CYCLE - ITEMS MAY NOT BE PURCHASED OUTSIDE THE ITEMS LISTED ABOVE WITHOUT A PRE-APPROVED PROJECT CHANGE REQUEST - MAY REQUIRE EHP APPROVAL PLEASE SEE SCREENING MEMO | | | | | | | | | | | | | |
| Narrative HERE | | | | | | | | | | | | | |

| Line # | CATEGORY | EXERCISE DETAIL DESCRIPTION | Purchase Type | Previous Funding Type | Coordinated with the State Exercise Officer? | Is This Request on the TEPW? | QUANTITY | UNIT COST | Primary Core Capability | Secondary Core Capability | TOTAL | AEL Ref # | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Exercise | All Exercises must be HSEEP compliant and coordinated with the State/UASI Exercise Officer, Must Support the SPR, THIRA, Strategy (NO TRAVEL IN THIS CATEGORY) | | | | | | | | | | | |
| 52 | | | | | | | - | - | | | $ - | | - |
| 53 | | | | | | | | | | | $ - | | - |
| | Exercise Sub- Total | | | | | | | | | | $ - | | $ - |
| EXERCISE COST NARRATIVE REQUIRED FOR EACH LINE ITEM ABOVE - PLEASE EXPLAINE IN DETAIL THE POSITIONS AND DELIVERABLES - NARRATIVE WILL BE USED TO ENSURE ITEMS LISTED WILL BE COMPLETED IN THE GRANT CYCLE - ITEMS MAY NOT BE PURCHASED OUTSIDE THE ITEMS LISTED ABOVE WITHOUT A PRE-APPROVED PROJECT CHANGE REQUEST - MAY REQUIRE EHP, PLEASE SEE EHP SCREENING MEMO | | | | | | | | | | | | | |
| Narrative HERE | | | | | | | | | | | | | |
| | | | | | | | | | | Budget Total Request | $ 220,656.00 | | $ 220,656.00 |

## Standard Assurances for Nevada Division of Emergency Management's (DEM) Federal Grant Programs

APPLICANT: _____

As the duly authorized representative of the Applicant, I _____, hereby certify that the Applicant has the legal authority to apply for federal grant assistance and the institutional, managerial, and financial capability (including funds sufficient to pay the non-Federal share of the project cost) to ensure proper planning, management, and completion of the described project ("Project") within the period of performance.

I further acknowledge that the Applicant is responsible for reviewing and adhering to all of the following requirements:

- Applicable Federal Laws, Regulations, and Guidelines (government cost principles, uniform administrative requirements and audit requirements for federal grant programs are set forth in Title 2, Part 200 of the Code of Federal Regulations (C.F.R.). Updates are issued by the Office of Management and Budget (OMB) and can be found at http://www.whitehouse.gov/omb/);
- Notice of Funding Opportunity (NOFO);
- Applicable Nevada Statutes, Regulations, and Policies;
- Nevada Department of Public Safety, Division of Emergency Management, Grant Management Guide.

In addition to the above listed requirements, the Applicant hereby agrees to comply with the following provisions of this Agreement:

## 1. WRITTEN AUTHORIZATION

The Applicant shall obtain a written authorization from its governing body in support of the Project, which specifies that the Applicant agrees:

a. To designate the authorized representative with the authority to bind the governing body;

b. To provide all matching funds required for the Project;

c. That any liability arising out of the performance of the Project and assurances will be the responsibility of the Applicant; and

d. Grant funds shall not be used to supplant expenditures controlled by the Applicant or its governing body.

## 2. ACCESS TO RECORDS

The Applicant will give the awarding agency, the Comptroller General of the United States, and if appropriate, the State, through any authorized representative, access to and the right to examine all records, books, papers, or documents related to the grant award; and will establish a proper accounting system in accordance with generally accepted accounting standards or agency directives.

## 3. PERIOD OF PERFORMANCE

The period of performance for each grant award will be determined by the Division of Emergency Management ("DEM") based upon the deadlines imposed on DEM by the terms of the federal grant. All work on the Project must be completed within the period of performance specified in the grant. DEM will periodically review the expenditures of the grant to ensure sufficient progress is made on the Project. If DEM determines that the Project will not be completed within the period of performance, DEM will terminate the grant and re-obligate the funding to other projects.

## 4. FUNDING RESTRICTIONS

Federal funds made available through an award may be used only for the purpose outlined in the award and must be consistent with the statutory authority for the award. Award funds may not be used for matching funds for any other Federal award, lobbying, or intervention in Federal regulatory or adjudicatory proceedings. In addition, Federal funds may not be used to sue the Federal Government or any other government entity.

## 5. LOBBYING AND POLITICAL ACTIVITIES

The Applicant must comply with 31 U.S.C. § 1352, which provides that none of the funds provided under an award may be expended by the recipient to pay any person to influence, or attempt to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with any Federal action concerning the award or renewal.

The Applicant will comply, as applicable, with provisions of the Hatch Act (5 U.S.C. §§1501-1508 and 7324-7328) which limit the political activities of employees whose principal employment activities are funded in whole or in part with Federal funds.

**6. DEBARMENT AND SUSPENSION**

The Applicant is subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 C.F.R. §200.212, and 2 C.F.R. Part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in federal assistance programs or activities.

The Applicant agrees to comply with the Federal Debarment and Suspension regulations as outlined in the "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion – Lower Tier Covered Transactions." Proof of debarment search must be provided to DEM.

**7. NON-DISCRIMINATION AND EQUAL EMPLOYMENT OPPORTUNITY**

The Applicant will comply with all federal statutes relating to non-discrimination. These include, but are not limited to, the following:

a. Title VI of the Civil Rights Act of 1964 (Public Law (P.L.) 88-352 and 42 U.S.C. §2000d et. seq.) which prohibits discrimination on the basis of race, color, or national origin and requires that recipients of federal financial assistance take reasonable steps to provide meaningful access to persons with limited English proficiency (LEP) to their programs and services;

b. Title IX of the Education Amendments of 1972, (20 U.S.C. §§1681-1683, and 1685-1686), which prohibits discrimination on the basis of sex in any federally funded educational program or activity;

c. Section 504 of the Rehabilitation Act of 1973, (29 U.S.C. §794), which prohibits discrimination against those with disabilities or access and functional needs;

d. Americans with Disabilities Act (ADA) of 1990, which prohibits discrimination on the basis of disability and requires buildings and structures be accessible to those with disabilities and access and functional needs (42 U.S.C. §§ 12101-12213.);

e. Age Discrimination Act of 1975, (42 U.S.C. §§ 6101-6107), which prohibits discrimination on the basis of age;

f. Public Health Service Act of 1912 (42 U.S.C. §§ 290), relating to confidentiality of patient records regarding substance abuse treatment;

g. Title VIII of the Civil Rights Act of 1968 (42 U.S.C. §3601 *et seq.*), relating to nondiscrimination in the sale, rental or financing of housing as implemented by the Department of Housing and Urban Development at 24 C.F.R. Part 100. The prohibition on disability discrimination includes the requirement that new multifamily housing with four or more dwelling units—i.e., the public and common use areas and individual apartment units (all units in buildings with elevators and ground-floor units in buildings without elevators)—be designed and constructed with certain accessible features (See 24 C.F.R. § 100.201);

h. Executive Order 11246, which prohibits federal contractors and federally assisted construction contractors and subcontractors, who do over $10,000 in Government

business in one year from discriminating in employment decisions on the basis of race, color, religion, sex, sexual orientation, gender identification, or national origin;

i. Executive Order 11375, which bans discrimination on the basis of race, color, religion, sex, sexual orientation, gender identification, or national origin in hiring and employment in both the United States federal workforce and on the part of government contractors;

j. DHS policy to ensure the equal treatment of faith-based organizations, under which all applicants and recipients must comply with equal treatment policies and requirements contained in 6 C.F.R. Part 19;

k. Any other nondiscrimination provisions in the specific statute(s) under which application for federal assistance is being made; and

l. The requirements of any other nondiscrimination statute(s) which may apply to the application.

**8. DRUG FREE WORKPLACE**

The Applicant must comply with the *Drug-Free Workplace Act of 1988* (41 U.S.C. §§ 701 *et seq.*), which requires all organizations receiving grants from any Federal agency agree to maintain a drug-free workplace. DHS has adopted the Act's implementing regulations at 2 C.F.R Part 3001.

**9. ENVIRONMENTAL PROTECTIONS**

The Applicant will comply with environmental standards which may be prescribed pursuant to the following:

a. Institution of environmental quality control measures under the National Environmental Policy Act of 1969 (P.L. 91-190) and Executive Order (EO) 11514;

b. Notification of violating facilities pursuant to EO 11738;

c. Protection of wetlands pursuant to EO 11990;

d. Evaluation of flood hazards in floodplains in accordance with EO 11988;

e. assurance of project consistency with the approved State management program developed under the Coastal Zone Management Act of 1972 (16 U.S.C. §§ 1451 *et seq.*);

f. Conformity of Federal actions to State (Clean Air) Implementation Plans under Section 176(c) of the Clean Air Act of 1955, as amended (42 U.S.C. §§ 7401 *et seq.*);

g. Protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended (P.L. 93-523); and, (h) protection of endangered species under the Endangered Species Act of 1973, as amended (P.L. 93- 205);

h. Wild and Scenic Rivers Act of 1968 (16 U.S.C. §§ 1271 *et seq.*) related to protecting components or potential components of the national wild and scenic rivers system;

i. The all sub-grantees will follow the Environmental Historical Protection (EHP) requirements set forth by the Federal granting agency. The sub-grantee will not undertake any project having the potential to impact EHP resources without the prior written approval of the Federal granting agency, including but not limited to ground disturbance, construction, modification of structures, and purchase and use of sonar equipment. Sub-grantees must comply with all conditions placed on the project as a result of the EHP review. Any change to the approved project scope of work will require a re-evaluation for compliance with these EHP requirements. Any construction or

renovation activities defined by the SAA's office that have been initiated without the necessary EHP review and approval will result in a non-compliance funding and will not be eligible for Federal funding. Please see the link provided for Information Bulletin (IB) 371 Environmental Historical Review Process http://www.fema.gov/doc/government/grant/bulletins/info329_final_screening_memo.docx

**10. PREPAREDNESS FUNDING**

The Applicant will comply with the Federal Granting Agency policy regarding the use of preparedness grant funding for sustainment costs. Grant funds may be used to cover only those maintenance agreements, user fees, and other sustainment costs provided during the grant performance period in which the device was purchased.

The Applicant may not use future year preparedness grant funding to pay for additional agreements and user fees, please refer to Information Bulletin (IB) 336 & 379. All ongoing expenses after the performance period has expired are the responsibility of the grantee/sub-grantee and will not be paid for with FEMA preparedness grant funding.

a. Sub-grantees may use FEMA preparedness grant funding to pay for maintenance agreements, user fees, and other sustainment costs as long as:

   1. The equipment was purchased with FEMA preparedness grant funding. (if applicable); and
   2. The sustainment costs fall within the performance period of the grant that was used to purchase the equipment.

b. Sustainment costs are eligible under the equipment category unless the equipment is Management & Administration (M&A) related (grants management equipment).

**11. FEDERAL EMERGENCY MANAGEMENT GRANT PROGRAM DIRECTORATE INFORMATION BULLETINS**

The Grant Programs Directorate (GPD) Information Bulletins (IBs) section provides access to GPD IBs released since 2012. IBs provide stakeholders with administrative instructions and guidelines critical to supporting the effectiveness and efficient delivery of FEMA Grant Programs. The Applicant will comply with all GPD IBs. https://www.fema.gov/grant-programs-directorate-information-bulletins

**12. CONFLICTS OF INTEREST**

The Applicant will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain.

**13. AUDITS**

The Applicant will cause to be performed the required financial and compliance audits in accordance with the Single Audit Act Amendments of 1996 and Title 2 of the Code of Federal Regulations, Part 200, Subpart F Audit Requirements, if Applicant expends $750,000 or more in federal grant funds annually,

The Applicant will cause to be performed the required financial and compliance audits in accordance with the Single Audit Act Amendments of 1996 and OMB Circular No. A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

**14. NATIONAL INCIDENT MANAGEMENT SYSTEM (NIMS)**

The Department of Homeland Security released the National Incident Management System (NIMS) as required by Homeland Security Presidential Directive (HSPD) 8 Management of Domestic Incidents and Preparedness. HSPD-5 established and designated the National Integration Center (NIC) Incident Management Systems Division as the lead Federal entity to coordinate NIMS compliance.

In order to be eligible to receive grant funding, the Applicant must meet NIMS compliance requirements. State, Territory, Tribal, and local governments are considered to be in full NIMS compliance if they have adopted and/or implemented compliance activities, as determined by the National Incident Management System Capability Assessment Support Tool (NIMSCAST) or other accepted means. Additional information on achieving compliance is available at http://www.fema.gov/emergency/nims/

**15. INTERGOVERNMENTAL PERSONNEL ACT**

The Applicant will comply with the Intergovernmental Personnel Act of 1970 (42 U.S.C. §§ 4728-4763) relating to prescribed standards for merit systems for programs funded under one of the 19 statutes or regulations specified in Appendix A of OPM's Standards for a Merit System of Personnel Administration (5 C.F.R. 900, Subpart F).

**16. HUMAN TRAFFICKING**

The Applicant will comply with the requirements of Section 106(g) of the Trafficking Victims Protection Act (TVPA) of 2000, as amended (22 U.S.C. § 7104) which prohibits grant award recipients or a sub-recipient from: (1) Engaging in severe forms of trafficking in persons during the period of time that the award is in effect, (2) Procuring a commercial sex act during the period of time that the award is in effect, or (3) Using forced labor in the performance of the award or subawards under the award.

**17. CONSTRUCTION PROJECTS**

For construction projects, the Applicant will:

a. Not dispose of, modify the use of, or change the terms of the real property title or other interest in the site and facilities without permission and instructions from the awarding agency. Will record the federal awarding agency directives and will include a covenant in the title of real property acquired in whole or in part with federal assistance funds to assure nondiscrimination during the useful life of the project;

b. Comply with the requirements of the awarding agency with regard to the drafting, review and approval of construction plans and specifications; and

c. Provide and maintain competent and adequate engineering supervision at the construction site to ensure that the complete work conforms with the approved plans and specifications and will furnish progressive reports and such other information as may be required by the assistance awarding agency or State.

**18. LABOR STANDARDS**

The Applicant will comply with the following federal labor standards:

a. The Davis-Bacon Act (40 U.S.C. §§ 276a to 276a-7), as applicable, and the Copeland Act (40 U.S.C. § 3145 and 18 U.S.C. § 874) and the Contract Work Hours and Safety Standards Act (40 U.S.C. §§ 327-333), regarding labor standards for federally-assisted construction contracts or subcontracts; and

b. The Federal Fair Labor Standards Act (29 U.S.C. § 201 et al.) as they apply to employees of institutes of higher learning (IHE), hospitals and other non-profit organizations.

**19. WORKER COMPENSATION**

The Applicant will comply with provisions which require every employer to be insured to protect workers who may be injured on the job at all times during the performance of the work of this Project, as per the workers compensation laws set forth in NRS 616A, NRS 616B, NRS 616C, NRS 616D, and NRS 617.

**20. REAL PROPERTY**

If applicable to the type of project funded by this federal award, the Applicant will:

a. Comply with the requirements of Titles II and III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91-646) which provide for fair and equitable treatment of persons displaced or whose property is acquired as a result of federal or federally-assisted programs. These requirements apply to all interests in real property acquired for project purposes regardless of federal participation in purchase;

b. Comply with flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973 (P.L. 93-234) which requires subrecipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of insurable construction and acquisition is $10,000 or more;

c. Assist the awarding agency in assuring compliance with Section 106 of the National Historic Preservation Act of 1966, as amended (16 U.S.C. § 470), Executive Order 11593 (identification and protection of historic properties), and the Archaeological and Historic Preservation Act of 1974 (16 U.S.C. §§ 469a-1 *et seq.*); and

d. Comply with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. § 4831 and 24 CFR Part 35) which prohibits the use of lead-based paint in construction or rehabilitation of residence structures.

## 21. CONTROLLED EQUIPMENT AND EQUIPMENT MANAGEMENT

The Applicant is subject to compliance with Information Bulletin(s) (IB) 407, 407a, and 414. Applicant is also subject to EO 13688, Federal Support for Local Law Enforcement Equipment Acquisition issued January 16, 2015, and the recommendations pursuant to the EO 13688, which collectively establishes a Prohibited Equipment List and Controlled Equipment List and identified actions necessary to improve Federal support for the appropriate acquisition, use, and transfer of controlled equipment by state, local, tribal, territorial, and private grant recipients. The Applicant must adhere to IB 407 and must follow the established pre-approval processes in place per this guidance.

Effective control and accountability must be maintained for all equipment acquired with Federal funds. The Applicant must adequately safeguard all such equipment and must assure that it is used solely for authorized purposes as described in the guidance. The Applicant will use, manage, and dispose of such property in accordance with 2 CFR Part 200.

## 22. DUPLICATION OF BENEFITS

The Applicant acknowledges that any cost allocable to a particular federal financial assistance award provided for in 2 C.F.R. Part 200, Subpart E, may not be charged to other federal financial assistance awards to overcome fund deficiencies, to avoid restrictions imposed by federal statutes, regulations, or federal financial assistance award terms and conditions, or for other reasons. However, these prohibitions would not preclude recipients from shifting costs that are allowable under two or more awards in accordance with existing federal statutes, regulations, or the federal financial assistance award terms and conditions.

## 23. NEVADA PUBLIC RECORDS ACT AND THE FREEDOM OF INFORMATION ACT

The Applicant acknowledges that all information submitted in the course of applying for funding under this program, or provided in the course of an entity's grant management activities that are under Federal control, is subject to the Freedom of Information Act (FOIA), 5 U.S.C. § 552, and the Nevada Public Records Law, contained in Chapter 239 of the Nevada Revised Statutes.

## 24. HUMAN SUBJECTS

The Applicant will comply with P.L. 93-348 regarding the protection of human subjects involved in research, development, and related activities supported by this award of assistance.

## 25. SAFECOM

The Applicant will comply with the SAFECOM Guidance for Emergency Communication Grants.

## 26. WHISTLEBLOWER PROTECTION ACT

The Applicant will comply with the statutory requirements for whistleblower protections (if applicable) at 10 U.S.C § 2409, 41 U.S.C. 4712, and 10 U.S.C. § 2324, 41 U.S.C. §§ 4304 and 4310.

## 27. USE OF DHS SEAL, LOGO AND FLAGS

The Applicant will obtain permission from their financial assistance office, prior to using the Department of Homeland Security (DHS) seal(s), logos, crests or reproductions of flags or likenesses of the DHS agency officials, including use of the United States Coast Guard seal, logo, crests or reproductions of flags or likenesses of Coast Guard officials.

**28. USA PATRIOT ACT OF 2001**

The Applicant will comply with requirements of the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act* (USA PATRIOT Act).

**29. UNIVERSAL IDENTIFIER AND SYSTEM OF AWARD MANAGEMENT (SAM)**

The Applicant will comply with the requirements set forth in the government-wide Award Term regarding the System for Award Management and Universal Identifier Requirements located at 2 C.F.R. Part 25, Appendix A, the full text of which is incorporated here by reference in the terms and conditions of your award.

**30. TERRORIST FINANCING**

The Applicant will comply with EO 13224 and U.S. law that prohibit transactions with, and the provisions of resources and support to, individuals and organizations associated with terrorism. It is the legal responsibility of the Applicant to ensure compliance with the EO and related laws.

**31. REPORTING SUBAWARDS AND EXECUTIVE COMPENSATION**

The Applicant understands and acknowledges that in order to sub-subaward grant funding, written permission must be granted by DEM in advance of the sub-subaward.

The Applicant will comply with the requirements set forth in the government-wide Award Term on Reporting Subawards and Executive Compensation located at 2 C.F.R. Part 170, Appendix A, the full text of which is incorporated here by reference in the terms and conditions of your award.

**32. PATENTS AND INTELLECTUAL PROPERTY RIGHTS**

Unless otherwise provided by law, the Applicant is subject to the Bayh-Dole Act, Pub. L. No. 96-517, as amended, and codified in 35 U.S.C. §§ 200 *et seq*. The Applicant is subject to the specific requirements governing the development, reporting, and disposition of rights to inventions and patents resulting from financial assistance awards located at 37 C.F.R. Part 401 and the standard patent rights clause located at 37 C.F.R. § 401.14.

**33. NOTICE OF FUNDING OPPORTUNITY REQUIREMENTS**

All of the instructions, guidance, limitations, and other conditions set forth in the Notice of Funding Opportunity (NOFO) for this program are incorporated here by reference in the terms and conditions of your award. The Applicant will comply with any such requirements set forth in the program NOFO.

**34. NON-SUPPLANTING REQUIREMENT**

The Applicant acknowledges that supplanting is prohibited by law and will ensure that Federal funds do not replace (supplant) funds that have been budgeted for the same purpose through non-Federal sources.

## 35. HOTEL AND MOTEL FIRE SAFETY ACT OF 1990

In accordance with Section 6 of the *Hotel and Motel Fire Safety Act of 1990*, 15 U.S.C. § 2225a, the Applicant must ensure that all conference, meeting, convention, or training space funded in whole or in part with Federal funds complies with the fire prevention and control guidelines of the *Federal Fire Prevention and Control Act of 1974*, as amended, 15 U.S.C. § 2225.

## 36. AMERICA ACT OF 1974

The Applicant will comply with Preference for U.S. Flag Air Carriers: (air carriers holding certificates under 49 U.S.C. § 41102) for international air transportation of people and property to the extent that such service is available, in accordance with the *International Air Transportation Fair Competitive Practices Act of 1974* (49 U.S.C. § 40118) and the interpretative guidelines issued by the Comptroller General of the United States in the March 31, 1981, amendment to Comptroller General Decision B-138942.

## 37. BEST PRACTICES FOR COLLECTION AND USE OF PERSONALLY IDENTIFIABLE INFORMATION (PII)

DHS defines personally identifiable information (PII) as any information that permits the identity of an individual to be directly or indirectly inferred, including any information that is linked or linkable to that individual. The Applicant will have a publically-available privacy policy that describes standards on the usage and maintenance of PII they collect. The Applicants may also find as a useful resource the DHS Privacy Impact Assessments: Privacy Guidance and Privacy template respectively.

## 38. ACTIVITIES CONDUCTED ABROAD

The Applicant will ensure that project activities carried on outside the United States are coordinated as necessary with appropriate government authorities and that appropriate licenses, permits, or approvals are obtained.

## 39. ACKNOWLEDGMENT OF FEDERAL FUNDING FROM DHS

The Applicant must acknowledge their use of federal funding when issuing statements, press releases, requests for proposals, bid invitations, and other documents describing projects or programs funded in whole or in part with Federal funds.

## 40. FEDERAL LEADERSHIP ON REDUCING TEXT MESSAGING WHILE DRIVING

The Applicant is encouraged to adopt and enforce policies that ban text messaging while driving as described in EO 13513, including conducting initiatives described in Section 3(a) of the Order when on official Government business or when performing any work for or on behalf of the federal government.

## 41. FEDERAL DEBT STATUS

The Applicant is required to be non-delinquent in their repayment of any Federal debt. Examples of relevant debt include delinquent payroll and other taxes, audit disallowances, and benefit overpayments. See OMB Circular A-129.

## 42. FALSE CLAIMS ACT AND PROGRAM FRAUD CIVIL REMEDIES

The Applicant will comply with the requirements of 31 U.S.C. §§ 3729-3733 which prohibits the submission of false or fraudulent claims for payment to the Federal Government. (See 31 U.S.C. §§ 3801-3812, which detail the administrative remedies for false claims and statements made.)

**43. ENERGY POLICY AND CONSERVATION ACT**

The Applicant will comply with the requirements of 42 U.S.C. § 6201 which contains policies relating to energy efficiency that are defined in the state energy conservation plan issued in compliance with this Act.

**44. DUPLICATION OF BENEFITS**

Any cost allocable to a particular Federal award provided for in 2 C.F.R. Part 200, Subpart E may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons. However, this prohibition would not preclude the Applicant from shifting costs that are allowable under two or more Federal awards in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal award.

**45. DRUG-FREE WORKPLACE REGULATIONS**

The Applicant will comply with the *Drug-Free Workplace Act of 1988* (41 U.S.C. §§ 701 *et seq.*), which requires all organizations receiving grants from any Federal agency agree to maintain a drug-free workplace. DHS has adopted the Act's implementing regulations at 2 C.F.R Part 3001.

**46. COPYRIGHT**

The Applicant will affix the applicable copyright notices of 17 U.S.C. §§ 401 or 402 and an acknowledgement of Government sponsorship (including award number) to any work first produced under Federal financial assistance awards.

**47. OWNERSHIP OF INFORMATION**

Any publication, invention, patent, photograph, negative, book, drawing, record, document, or other material prepared by the Applicant in the performance of its obligations under this grant shall follow 2 CFR Appendix A Part 220 and 2 CFR 200.315. All publication, invention, patent, photograph, negative, book, drawing, record, document, or other material prepared by the Applicant in the performance of its obligations under this grant shall be provided to the State of Nevada for review and archival in the grant file.

Whenever possible equipment, real property, public service announcements, etc., should reflect, "made possible by the Nevada Department of Public Safety Division of Emergency Management and paid for by FEMA/DHS." (example only applies to Homeland Security Grant Program grants, for other grants please see DEM). In order to be reimbursable, all items above must be approved prior to procurement. Federal granting agency retains ownership of all publications, inventions, patents, photographs, negatives, books, drawings, records, documents or other material prepared by the sub-grantee in the performance of its obligations to the grant.

**48. SUBGRANTEE MONITORING**

The Applicant agrees to participate in DEM's annual monitoring visits and to follow up and take corrective action on all identified non-conformances and observations with action, which includes, but is not limited to, the submission and implementation of corrective action plans to the DEM.

**49. ASSIGNMENT AND DELEGATION**

The Applicant shall neither assign, transfer, nor delegate any rights, obligations or duties under this Notice of Grant Award without prior approval of the DEM, which includes sub-sub granting funds without prior knowledge or written approval of DEM.

**50. INDEMNIFICATION AND DEFENSE**

To the fullest extent permitted by law, the Applicant shall indemnify, hold harmless and defend, not excluding the State's right to participate, the State from and against all liability, claims, actions, damages, losses, and expenses, including, without limitation, reasonable attorneys' fees and costs, arising out of any breach of the obligations of Applicant under this Agreement, or any alleged negligent or willful acts or omissions of the Applicant, its officers, employees and agents. The Applicant's obligation to indemnify the State shall apply in all cases except for claims arising solely from the State's own negligence or willful misconduct. The Applicant waives any rights of subrogation against the State. The Applicant's duty to defend begins when the State requests defense of any claim arising from this Agreement.

**51. TERMINATION**

The DEM retains the right to terminate a sub-grant, for cause, at any time before completion of the grant period when it has determined that the sub-grantee has failed to comply with the conditions of these assurances.

1. The DEM reserves the right to terminate the grant in whole or in part due to the failure of the sub-grantee to comply with any term or condition of the signed and agreed upon assurances, failure to implement audit/monitoring recommendations within the prescribed period of time, failure to communicate with or respond to any State Administrative Agency (SAA) request or communication, to acquire and maintain all required insurance policies, bonds, licenses, permits and certifications or to make satisfactory progress in performing the program, financial and administrative requirements of the grant.
2. The DEM staff shall provide written notice of the termination and the reasons for such actions to the sub-grantee.
3. ***The DEM may, upon termination of the award, procure, on terms and in the manner that it deems appropriate, materials or services to replace those described in the project description of the grant award. The sub-grantee shall be liable to the DEM for any excess costs incurred by the DEM in procuring equivalent materials or services in substitution for materials or services described in the project description of the grant award.***

As the duly authorized representative of the Applicant for _____, I hereby certify that the Applicant will comply with the above assurances and certifications.

NAME:_____ TITLE:_____

SIGNATURE:_____ DATE:_____

# Investment #10

## Investment Information - Investment #10

**II.A Investment Name:** IJ # 10 Regional Hazmat - UASI

**II.B Investment Type:** Competitive

## I. Overview - Investment # 10

**II.C - What is the funding source for this investment:**

| Funding Source | Funding Amount |
|---|---|
| UASI | $220,655.00 |

II.D - Is this the consolidated Fusion Center Investment? No

II.E - How much of this Investment will be obligated towards Law Enforcement Terrorism Prevention Activities (LETPA): $0.00

II.F - Investment Description:

The THIRA listing for Operational Coordination Impacts and Desired Outcomes for Hazmat Release – Chemical Outcomes states "Coordination and unity of effort between all levels of government and private sector partners must be achieved prior to, during, and after the HazMat release (page 13, THIRA)." This investment will assist in the coordinated and unified approach of multiple agencies in the Las Vegas Urban Area to address multiple hazards from both natural and man-made threats. The agencies involved will each be able to provide the Unified Command with accurate and timely information utilizing the multiple technology approach in their individual proposals to assist the Incident Command in allocated the proper resources to effectively and efficiently mitigate the hazard. In meeting the THIRA, the equipment being purchased by the cooperative agencies within the Las Vegas Urban Area will allow the efficient and effective coordination of response and information gathering to provide an accurate, timely and ongoing situational intelligence of the event to the Incident Command Staff.

## II. Project Management - Investment # 10

**II.C - What is the funding source for this investment:**

| Funding Source | Funding Amount |
|---|---|
| UASI | $220,655.00 |

All of the requested funding must be associated with specific projects.

**Project # 1**

## Project Information - Project # 1

**Project Name:** Regional Hazmat - UASI
**Project Description:** The Las Vegas Urban Area (LVUA), including Las Vegas Fire and Rescue (LVFR), ARMOR, and Henderson Fire Department (HFD), support ongoing efforts to sustain the mitigation, preparedness, and response capabilities in operational coordination. The project requiring investment is part of a regional collaboration aimed at providing coordinated capabilities for threats and hazards across the area. The Clark County Hazard Mitigation Plan and Threat and Hazard Identification and Risk Assessment indicate a need for a response capability to address needs within the LVUA. The process has included identifying participating agency resources, including ARMOR (who already has the requested equipment; however, may be limited in its response to its neighbors due to conflicting priorities or in a multiple incident scenario); identifying gaps; and implementing strategies in a combined effort that involves public safety entities, local and state government, and federal partners. The requested equipment will fill an identified gap in the region. With the additional capability of identifying unknown chemicals of solids, liquids, and gas, this project will sustain HFD's response capability by increasing capability to a Type II Hazardous Materials Team. The remote air monitoring equipment will help HFD and LVFR enhance the capabilities of continuous air monitoring and a response and pre Henderson Regional HazMat Response Capability Enhancement Equipment: Priority A (HFD) = $71,500: MX908 (1); Priority B (LVFR & HFD) = $174,840: (2) RDK Detector Kit, AreaRAE Pro, 1.0, includes: Pelican Case w/ (4) Pro Monitors, PID (ppb), 02, LEL, H2S, CO, Cl2, NH3,Gamma, RAEMet, ISM 900MHz, Mesh, Wi-Fi,Charging Cables, (4) Licenses, No Calibration Gas, RDK Accessories, No Host Controller; (2) 5-year guaranteed cost of ownership Priority C (HFD/LVFR) = $37,464 for (2) RDK Ruggedized Host Kit, 1.0; Host Controller Only, Does Not Include Instruments; AutoRae 2- (2) MultiRae cradle; (1) ToxiRae cradle; (2) ToxiRAE Pro (wireless) CO2 monitors; (2) RAELink 3 Mesh; (1) SensorRAE 4R+ ventative mission to keeping our community safe.
**Funding Amount:** $220,655.00
**Subgrantee:** City of Henderson
**Grantee Type:** Local Jurisdiction / Entity
**Project Location:** 89015

## III.A - Project Alignment to Core Capability and Solution Areas - Project # 1

**Primary Core Capability:** Operational Coordination
**Capability Building:** Build
**Deployable:** Yes
**Shareable:** Yes

| Solution Area | Amount of Proposed Funding | Percent of Proposed Funding |
|---|---|---|
| Planning | $.00 | 0% |
| Organization | $.00 | 0% |
| Equipment | $220,655.00 | 100% |
| Training | $.00 | 0% |
| Exercises | $.00 | 0% |
| Total | $220,655.00 | 100% |

## III.B - Project Baseline and Management - Project # 1

**Project Management Step:** Execute
**Project Start Date:** OCTOBER 2018
**Project End Date:** SEPTEMBER 2020
**Does this project require new construction, renovation, retrofitting or modifications of existing structure?** No

**Supports Previous Awarded Investment?** Yes

| Prior Year | Investment | Last Completed Milestone |
|---|---|---|
| 2016 | CBRNE - Henderson | Procure equipment and train |

(End of Investment # 10.)

# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**16**

**DEPARTMENT: Fire & Rescue** **CONSENT**
**DIRECTOR: William McDonald**

**SUBJECT:**
For possible action to approve ratification of the acceptance of a United States Department of Health and Human Services (HHS) award in the amount of $174,336.80 from the Coronavirus Aid, Relief and Economic Security (CARES) ACT funding to be used to offset healthcare-related expenses or lost Medicare revenue attributable to Coronavirus with no cost match required - All Wards

**FISCAL IMPACT:**
None

**PURPOSE/BACKGROUND:**
The subject payment from HHS will provide the City of Las Vegas with funds in the amount of $174,336.80 for the purpose of offsetting healthcare-related expenses or lost Medicare revenue attributable to Coronavirus. This is an automatic, formulaic payment sent to Medicare providers based on 2019 Medicare fee-for-service reimbursements.

**RECOMMENDATION:**
Approval

**BACKUP DOCUMENTATION:**
1. Department of Health & Human Services Acceptance of Terms and Conditions

**Acceptance of Terms and Conditions**

If you receive a payment from funds appropriated in the Public Health and Social Services Emergency Fund for provider relief ("Relief Fund") under Public Law 116-136 and retain that payment for at least 90 days without contacting HHS regarding remittance of those funds, you are deemed to have accepted the following Terms and Conditions. Please also indicate your acceptance below. This is not an exhaustive list and you must comply with any other relevant statutes and regulations, as applicable.

Your commitment to full compliance with all Terms and Conditions is material to the Secretary's decision to disburse these funds to you. Non-compliance with any Term or Condition is grounds for the Secretary to recoup some or all of the payment made from the Relief Fund.

These Terms and Conditions apply directly to the recipient of payment from the Relief Fund. In general, the requirements that apply to the recipient also apply to subrecipients and contractors, unless an exception is specified.

Relief Fund Payment from $20 Billion General Distribution Terms and Conditions

- The "Payment" means the funds received from the Public Health and Social Services Emergency Fund ("Relief Fund"). The Recipient means the healthcare provider, whether an individual or an entity, receiving the Payment.
- The Recipient certifies that it billed Medicare in 2019; provides or provided after January 31, 2020 diagnoses, testing, or care for individuals with possible or actual cases of COVID-19; is not currently terminated from participation in Medicare or precluded from receiving payment through Medicare Advantage or Part D; is not currently excluded from participation in Medicare, Medicaid, and other Federal health care programs; and does not currently have Medicare billing privileges revoked.
- The Recipient certifies that the Payment will only be used to prevent, prepare for, and respond to coronavirus, and that the Payment shall reimburse the Recipient only for health care related expenses or lost revenues that are attributable to coronavirus.
- The Recipient certifies that it will not use the Payment to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse.
- The Recipient shall submit reports as the Secretary determines are needed to ensure compliance with conditions that are imposed on this Payment, and such reports shall be in such form, with such content, as specified by the Secretary in future program instructions directed to all Recipients. The Recipient shall also submit general revenue

data for calendar year 2018 to the Secretary when applying to receive a Payment, or within 90 days of having received a Payment.

- The Recipient consents to the Department of Health and Human Services publicly disclosing the Payment that Recipient may receive from the Relief Fund. The Recipient acknowledges that such disclosure may allow some third parties to estimate the Recipient's gross receipts or sales, program service revenue, or other equivalent information.
- The Recipient certifies that all information it provides as part of its application for the Payment, as well as all information and reports relating to the Payment that it provides in the future at the request of the Secretary or Inspector General, are true, accurate and complete, to the best of its knowledge. The Recipient acknowledges that any deliberate omission, misrepresentation, or falsification of any information contained in this Payment application or future reports may be punishable by criminal, civil, or administrative penalties, including but not limited to revocation of Medicare billing privileges, exclusion from federal health care programs, and/or the imposition of fines, civil damages, and/or imprisonment.
- Not later than 10 days after the end of each calendar quarter, any Recipient that is an entity receiving more than $150,000 total in funds under the Coronavirus Aid, Relief, and Economics Security Act (P.L. 116-136), the Coronavirus Preparedness and Response Supplemental Appropriations Act (P.L. 116-123), the Families First Coronavirus Response Act (P.L. 116-127), or any other Act primarily making appropriations for the coronavirus response and related activities, shall submit to the Secretary and the Pandemic Response Accountability Committee a report. This report shall contain: the total amount of funds received from HHS under one of the foregoing enumerated Acts; the amount of funds received that were expended or obligated for reach project or activity; a detailed list of all projects or activities for which large covered funds were expended or obligated, including: the name and description of the project or activity, and the estimated number of jobs created or retained by the project or activity, where applicable; and detailed information on any level of sub-contracts or subgrants awarded by the covered recipient or its subcontractors or subgrantees, to include the data elements required to comply with the Federal Funding Accountability and Transparency Act of 2006 allowing aggregate reporting on awards below $50,000 or to individuals, as prescribed by the Director of the Office of Management and Budget.
- The Recipient shall maintain appropriate records and cost documentation including, as applicable, documentation described in 45 CFR § 75.302 – Financial management and 45 CFR § 75.361 through 75.365 – Record Retention and Access, and other information required by future program instructions to substantiate the reimbursement of costs under this award. The Recipient shall promptly submit copies of such records and cost documentation upon the request of the Secretary, and Recipient agrees to fully cooperate in all audits the Secretary, Inspector General, or Pandemic Response Accountability Committee conducts to ensure compliance with these Terms and Conditions.

- The Secretary has concluded that the COVID-19 public health emergency has caused many healthcare providers to have capacity constraints. As a result, patients that would ordinarily be able to choose to receive all care from in-network healthcare providers may no longer be able to receive such care in-network. Accordingly, for all care for a presumptive or actual case of COVID-19, Recipient certifies that it will not seek to collect from the patient out-of-pocket expenses in an amount greater than what the patient would have otherwise been required to pay if the care had been provided by an in-network Recipient.

The following statutory provisions also apply:

**General Provisions in FY 2020 Consolidated Appropriation**

**SEC. 202. Executive Pay.** None of the funds appropriated in this title shall be used to pay the salary of an individual, through a grant or other extramural mechanism, at a rate in excess of Executive Level II.

**SEC. 210. Funding Prohibition for Gun Control Advocacy**. None of the funds made available in this title may be used, in whole or in part, to advocate or promote gun control.

**SEC. 503. Lobbying**

(a) No part of any appropriation contained in this Act or transferred pursuant to section 4002 of Public Law 111–148 shall be used, other than for normal and recognized executive-legislative relationships, for publicity or propaganda purposes, for the preparation, distribution, or use of any kit, pamphlet, booklet, publication, electronic communication, radio, television, or video presentation designed to support or defeat the enactment of legislation before the Congress or any State or local legislature or legislative body, except in presentation to the Congress or any State or local legislature itself, or designed to support or defeat any proposed or pending regulation, administrative action, or order issued by the executive branch of any State or local government, except in presentation to the executive branch of any State or local government itself.

(b) No part of any appropriation contained in this Act or transferred pursuant to section 4002 of Public Law 111–148 shall be used to pay the salary or expenses of any grant or contract recipient, or agent acting for such recipient, related to any activity designed to influence the enactment of legislation, appropriations, regulation, administrative action, or Executive order proposed or pending before the Congress or any State government, State legislature or local legislature or legislative body, other than for normal and recognized executive-legislative

relationships or participation by an agency or officer of a State, local or tribal government in policymaking and administrative processes within the executive branch of that government.

(c) The prohibitions in subsections (a) and (b) shall include any activity to advocate or promote any proposed, pending or future Federal, State or local tax increase, or any proposed, pending, or future requirement or restriction on any legal consumer product, including its sale or marketing, including but not limited to the advocacy or promotion of gun control.

**SEC. 506. Prohibits Use of Federal Funds for Abortions.**

(a) None of the funds appropriated in this Act, and none of the funds in any trust fund to which funds are appropriated in this Act, shall be expended for any abortion.

(b) None of the funds appropriated in this Act, and none of the funds in any trust fund to which funds are appropriated in this Act, shall be expended for health benefits coverage that includes coverage of abortion.

(c) The term ‘‘health benefits coverage’’ means the package of services covered by a managed care provider or organization pursuant to a contract or other arrangement.

**SEC. 507 Limitations on Abortion Funding Prohibition**

(a) The limitations established in the preceding section shall not apply to an abortion—

(1) if the pregnancy is the result of an act of rape or incest; or

(2) in the case where a woman suffers from a physical disorder, physical injury, or physical illness, including a life-endangering physical condition caused by or arising from the pregnancy itself, that would, as certified by a physician, place the woman in danger of death unless an abortion is performed.

(b) Nothing in the preceding section shall be construed as prohibiting the expenditure by a State, locality, entity, or private person of State, local, or private funds (other than a State’s or locality’s contribution of Medicaid matching funds).

(c) Nothing in the preceding section shall be construed as restricting the ability of any managed care provider from offering abortion coverage or the ability of a State or locality to contract separately with such a provider for such coverage with State funds (other than a State’s or locality’s contribution of Medicaid matching funds).

(d)(1) None of the funds made available in this Act may be made available to a Federal agency or program, or to a State or local government, if such agency, program, or government subjects

any institutional or individual health care entity to discrimination on the basis that the health care entity does not provide, pay for, provide coverage of, or refer for abortions.

(2) In this subsection, the term ‘‘health care entity’’ includes an individual physician or other health care professional, a hospital, a provider-sponsored organization, a health maintenance organization, a health insurance plan, or any other kind of health care facility, organization, or plan.

Prohibits Use of Funds for Embryo Research

**SEC. 508. Prohibits Use of Funds for Embryo Research**

(a) None of the funds made available in this Act may be used for—

(1) the creation of a human embryo or embryos for research purposes; or

(2) research in which a human embryo or embryos are destroyed, discarded, or knowingly subjected to risk of injury or death greater than that allowed for research on fetuses in utero under 45 CFR 46.204(b) and section 498(b) of the Public Health Service Act (42 U.S.C. 289g(b)).

(b) For purposes of this section, the term ‘‘human embryo or embryos’’ includes any organism, not protected as a human subject under 45 CFR 46 as of the date of the enactment of this Act, that is derived by fertilization, parthenogenesis, cloning, or any other means from one or more human gametes or human diploid cells.

**SEC. 509. Prohibits Promotion of Legalization of Controlled Substances**

(a) None of the funds made available in this Act may be used for any activity that promotes the legalization of any drug or other substance included in schedule I of the schedules of controlled substances established by section 202 of the Controlled Substances Act except for normal and recognized executive-congressional communications.

(b) The limitation in subsection (a) shall not apply when there is significant medical evidence of a therapeutic advantage to the use of such drug or other substance or that federally sponsored clinical trials are being conducted to determine therapeutic advantage.

SEC. 515. (b) Prohibits Asking Candidates for Federal Scientific Advisory Committees Their Political Affiliations; Prohibits Distribution of Intentionally False Information

(b) None of the funds made available in this Act may be used to disseminate information that is deliberately false or misleading.

**SEC. 520. Pornography.**

(a) None of the funds made available in this Act may be used to maintain or establish a computer network unless such network blocks the viewing, downloading, and exchanging of pornography.

(b) Nothing in subsection (a) shall limit the use of funds necessary for any Federal, State, tribal, or local law enforcement agency or any other entity carrying out criminal investigations, prosecution, or adjudication activities.

**SEC. 521. Prohibits Funding ACORN or Its Affiliates or Subsidiaries.** None of the funds made available under this or any other Act, or any prior Appropriations Act, may be provided to the Association of Community Organizations for Reform Now (ACORN), or any of its affiliates, subsidiaries, allied organizations, or successors.

**SEC. 527. Prohibits Federal Funding for Needle Exchange Except in Limited Circumstances.** Notwithstanding any other provision of this Act, no funds appropriated in this Act shall be used to purchase sterile needles or syringes for the hypodermic injection of any illegal drug: *Provided*, That such limitation does not apply to the use of funds for elements of a program other than making such purchases if the relevant State or local health department, in consultation with the Centers for Disease Control and Prevention, determines that the State or local jurisdiction, as applicable, is experiencing, or is at risk for, a significant increase in hepatitis infections or an HIV outbreak due to injection drug use, and such program is operating in accordance with State and local law.

**Government-wide General Provisions**

**SEC. 718. Propaganda.** No part of any appropriation contained in this or any other Act shall be used directly or indirectly, including by private contractor, for publicity or propaganda purposes within the United States not heretofore authorized by the Congress.

**SEC. 732. Privacy Act.** None of the funds made available in this Act may be used in contravention of section 552a of title 5, United States Code (popularly known as the Privacy Act), and regulations implementing that section.

**SEC. 742. Confidentiality Agreements.**

(a) None of the funds appropriated or otherwise made available by this or any other Act may be available for a contract, grant, or cooperative agreement with an entity that requires employees or contractors of such entity seeking to report fraud, waste, or abuse to sign internal confidentiality agreements or statements prohibiting or otherwise restricting such employees or contactors from

lawfully reporting such waste, fraud, or abuse to a designated investigative or law enforcement representative of a Federal department or agency authorized to receive such information.

(b) The limitation in subsection (a) shall not contravene requirements applicable to Standard Form 312, Form 4414, or any other form issued by a Federal department or agency governing the nondisclosure of classified information.

**SEC. 743. Nondisclosure Agreements**

(a) No funds appropriated in this or any other Act may be used to implement or enforce the agreements in Standard Forms 312 and 4414 of the Government or any other nondisclosure policy, form, or agreement if such policy, form, or agreement does not contain the following provisions: “These provisions are consistent with and do not supersede, conflict with, or otherwise alter the employee obligations, rights, or liabilities created by existing statute or Executive order relating to (1) classified information, (2) communications to Congress, (3) the reporting to an Inspector General of a violation of any law, rule, or regulation, or mismanagement, a gross waste of funds, an abuse of authority, or a substantial and specific danger to public health or safety, or (4) any other whistleblower protection. The definitions, requirements, obligations, rights, sanctions, and liabilities created by controlling Executive orders and statutory provisions are incorporated into this SEC. 743. (a) No funds appropriated in this or any other Act may be used to implement or enforce the agreements in Standard Forms 312 and 4414 of the Government or any other nondisclosure policy, form, or agreement if such policy, form, or agreement does not contain the following provisions: “These provisions are consistent with and do not supersede, conflict with, or otherwise alter the employee obligations, rights, or liabilities created by existing statute or Executive order relating to (1) classified information, (2) communications to Congress, (3) the reporting to an Inspector General of a violation of any law, rule, or regulation, or mismanagement, a gross waste of funds, an abuse of authority, or a substantial and specific danger to public health or safety, or (4) any other whistleblower protection. The definitions, requirements, obligations, rights, sanctions, and liabilities created by controlling Executive orders and statutory provisions are incorporated into this agreement and are controlling.”: *Provided*, That notwithstanding the preceding provision of this section, a nondisclosure policy form or agreement that is to be executed by a person connected with the conduct of an intelligence or intelligence-related activity, other than an employee or officer of the United States Government, may contain provisions appropriate to the particular activity for which such document is to be used. Such form or agreement shall, at a minimum, require that the person will not disclose any classified information received in the course of such activity unless specifically authorized to do so by the United States Government. Such nondisclosure forms shall also make it clear that they do not bar disclosures to Congress, or

to an authorized official of an executive agency or the Department of Justice, that are essential to reporting a substantial violation of law.

(b) A nondisclosure agreement may continue to be implemented and enforced notwithstanding subsection (a) if it complies with the requirements for such agreement that were in effect when the agreement was entered into.

(c) No funds appropriated in this or any other Act may be used to implement or enforce any agreement entered into during fiscal year 2014 which does not contain substantially similar language to that required in subsection (a).

**SEC. 744. Unpaid Federal Tax Liability**. None of the funds made available by this or any other Act may be used to enter into a contract, memorandum of understanding, or cooperative agreement with, make a grant to, or provide a loan or loan guarantee to, any corporation that has any unpaid Federal tax liability that has been assessed, for which all judicial and administrative remedies have been exhausted or have lapsed, and that is not being paid in a timely manner pursuant to an agreement with the authority responsible for collecting the tax liability, where the awarding agency is aware of the unpaid tax liability, unless a Federal agency has considered suspension or debarment of the corporation and has made a determination that this further action is not necessary to protect the interests of the Government.

**SEC. 745. Criminal Felony Limitation.** None of the funds made available by this or any other Act may be used to enter into a contract, memorandum of understanding, or cooperative agreement with, make a grant to, or provide a loan or loan guarantee to, any corporation that was convicted of a felony criminal violation under any Federal law within the preceding 24 months, where the awarding agency is aware of the conviction, unless a Federal agency has considered suspension or debarment of the corporation and has made a determination that this further action is not necessary to protect the interests of the Government.

**Other Appropriations Provisions**

**42 U.S.C. 289d note** No funds appropriated under this Act or subsequent Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Acts shall be used by the National Institutes of Health, or any other Federal agency, or recipient of Federal funds on any project that entails the capture or procurement of chimpanzees obtained from the wild. For purposes of this section, the term ‘recipient of Federal funds’ includes private citizens, corporations, or other research institutions located outside of the United States that are recipients of Federal funds.

**Other Statutory Provisions**

**Trafficking in Persons**

This award is subject to the requirements of Section 106 (g) of the Trafficking Victims Protection Act of 2000, as amended (22 U.S.C. 7104)

***a.*** **Provisions applicable to a recipient that is a private entity.**

1. You as the recipient, your employees, subrecipients under this award, and subrecipients' employees may not

i. Engage in severe forms of trafficking in persons during the period of time that the award is in effect;

ii. Procure a commercial sex act during the period of time that the award is in effect; or

iii. Use forced labor in the performance of the award or subawards under the award.

2. We as the Federal awarding agency may unilaterally terminate this award, without penalty, if you or a subrecipient that is a private entity –

i. Is determined to have violated a prohibition in paragraph a.1 of this award term; or

ii. Has an employee who is determined by the agency official authorized to terminate the award to have violated a prohibition in paragraph a.1 of this award term through conduct that is either-

A. Associated with performance under this award; or

B. Imputed to you or the subrecipient using the standards and due process for imputing the conduct of an individual to an organization that are provided in 2 CFR part 180, "OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)," as implemented by our agency at 2 CFR part 376.

***b.*** **Provision applicable to a recipient other than a private entity.**

We as the Federal awarding agency may unilaterally terminate this award, without penalty, if a subrecipient that is a private entity-

1. Is determined to have violated an applicable prohibition in paragraph a.1 of this award term; or

2. Has an employee who is determined by the agency official authorized to terminate the award to have violated an applicable prohibition in paragraph a.1 of this award term through conduct that is either

i. Associated with performance under this award; or

ii. Imputed to the subrecipient using the standards and due process for imputing the conduct of an individual to an organization that are provided in 2 CFR part 180, "OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)," as implemented by our agency at 2 CFR part 376

***c.*** **Provisions applicable to any recipient.**

1. You must inform us immediately of any information you receive from any source alleging a violation of a prohibition in paragraph a.1 of this award term

2. Our right to terminate unilaterally that is described in paragraph a.2 or b of this section:

i. Implements section 106(g) of the Trafficking Victims Protection Act of 2000 (TVPA), as amended

(22 U.S.C. 7104(g)), and

ii. Is in addition to all other remedies for noncompliance that are available to us under this award.

3. You must include the requirements of paragraph a.1 of this award term in any subaward you make
to a private entity.

***d. Definitions.*** For purposes of this award term:
1. "Employee" means either:
i. An individual employed by you or a subrecipient who is engaged in the performance of the project or program under this award; or
ii. Another person engaged in the performance of the project or program under this award and not compensated by you including, but not limited to, a volunteer or individual whose services are contributed by a third party as an in-kind contribution toward cost sharing or matching requirements.
2. "Forced labor" means labor obtained by any of the following methods: the recruitment, harboring, transportation, provision, or obtaining of a person for labor or services, through the use of force, fraud, or coercion for the purpose of subjection to involuntary servitude, peonage, debt bondage, or slavery.
3. "Private entity":
i. Means any entity other than a State, local government, Indian tribe, or foreign public entity, as those terms are defined in 2 CFR 175.25.
ii. Includes:
A. A nonprofit organization, including any nonprofit institution of higher education, hospital, or tribal organization other than one included in the definition of Indian tribe at 2 CFR 175.25(b).
B A for-profit organization.
4. “Severe forms of trafficking in persons," "commercial sex act," and "coercion" have the meanings given at section 103 of the TVPA, as amended (22 U.S.C. 7102)

**Whistleblower Protections**
You are hereby given notice that the 48 CFR section 3.908, implementing section 828, entitled “Pilot
Program for Enhancement of Contractor Employee Whistleblower protections,” of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2013 (Pub. L. 112-239, enacted January 2,
2013) applies to this award.

**Human Subjects Protections**
If any activities under this project will involve human subjects in any research activities, you must provide satisfactory assurance of compliance with the participant protection requirement of the HHS/OASH Office of Human Research Protection (OHRP) prior to implementation of those research components. This assurance should be submitted to the OHRP in accordance with the appropriate regulations.

**Fraud, Abuse and Waste:**
The HHS Inspector General accepts tips and complaints from all sources about potential fraud, waste, abuse, and mismanagement in Department of Health and Human Services' programs.

Your information will be reviewed promptly by a professional staff member. Due to the high volume of information that they receive, they are unable to reply to submissions. You may reach the OIG through various channels.
Internet: https://forms.oig.hhs.gov/hotlineoperations/index.aspx
Phone: 1-800-HHS-TIPS (1-800-447-8477)
Mail: US Department of Health and Human Services
Office of Inspector General
ATTN: OIG HOTLINE OPERATIONS
PO Box 23489
Washington, DC 20026
For additional information visit https://oig.hhs.gov/fraud/report-fraud/index.asp

# *AGENDA SUMMARY PAGE*
**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**17**

**DEPARTMENT: Municipal Court** **CONSENT**
**DIRECTOR: Dana Hlavac**

**SUBJECT:**
For possible action to approve an Interlocal Agreement between Clark County, Nevada and the City of Las Vegas for the receipt of funds from the Department of Justice, Bureau of Justice Assistance, Edward Byrne Memorial Justice Assistance Grant (JAG) program for federal fiscal years 2018-2021 in the amount of $129,596 for Specialty Court treatment services - All Wards

**FISCAL IMPACT:**
None

**PURPOSE/BACKGROUND:**
The subject grant 2017-DJ-BX-0468 will provide the Las Vegas Municipal Court with $129,596 to provide treatment services to defendants participating in the Court's six Specialty Court programs. These services include case management, residential drug treatment, outpatient treatment, counseling, sober living facilities, drug testing and transportation. Approximately 20 defendants will receive treatment using grant funds.

**RECOMMENDATION:**
Approval

**BACKUP DOCUMENTATION:**
1. Interlocal Agreement Between Clark County, Nevada and City of Las Vegas

INTERLOCAL AGREEMENT
BETWEEN CLARK COUNTY AND THE CITY OF LAS VEGAS
FOR THE LAS VEGAS MUNICIPAL SPECIALITY COURT PROGRAMS
CFDA #16.738, 2018-DJ-BX-0468

WHEREAS, Clark County, Nevada (the "County"), has entered into a grant agreement with the Bureau of Justice Assistance (BJA), for participation in the FY-2018/2019 Edward Byrne Memorial Justice Assistance Grant ("JAG"); for the provision of funds from October 1, 2017 to September 30, 2021, for a total award of federally obligated funds in the amount of $1,007,971; and

WHEREAS, pursuant to the above described grant agreement, Clark County, Nevada (the "County") is responsible for the administration, implementation, planning and evaluation of the 2018 JAG Program as Fiscal Agent for all the participating Subrecipients, which will be receiving funding from the County; and

WHEREAS, the objectives of the activities, which are funded by the 2018 JAG Program, are to support all components of the criminal justice system such as: multi-jurisdictional drug and gang task forces, crime prevention and domestic violence programs, courts, corrections, treatment, and justice information sharing initiatives; and

WHEREAS, the City of Las Vegas, a political subdivision of the State of Nevada, acting through its Las Vegas Municipal Court located at 200 Lewis Avenue, Las Vegas, NV 89101 (the "Subrecipient") will provide innovative, effective programming for defendant populations that demonstrate a high risk to reoffend and a high need for community resources and intensive supervision case management (the "Program"); and

WHEREAS, the Subrecipient has requested financial assistance from the County to assist with this Program; and

WHEREAS, the Board has agreed to provide Fiscal Year 2018 JAG funds (the "Funds") to the Subrecipient, such funding to be administered by the Community Resources Management ("CRM") of Clark County for the Program, as defined in Exhibit "A" "Expenditures Eligible for Reimbursement"; and

WHEREAS, the Subrecipient will provide the Program in accordance with Exhibit "B", "Scope of Work", attached hereto and incorporated herein as if fully set forth; and

WHEREAS, BJA specifically requires the parties to agree with respect to the following matters:

A. The manner in which services will be provided; and

B. The manner in which the parties will cooperate in administering and overseeing the financial aspects of the project or program; and

WHEREAS, NRS 277.180 permits one or more public agencies to contract with any one or more public agencies to perform any governmental service, activity or

undertaking which any of the public agencies entering into this Interlocal Agreement is authorized to perform by law.

NOW, THEREFORE, in accordance with the grant and related regulations and in consideration of the terms provided herein, the parties hereto agree as follows:

1. CRM shall provide a maximum of $129,596 from Fiscal Year 2018 JAG funds to Subrecipient for the purpose of providing the Program.

2. Subrecipient will provide CRM with documentation supporting any and all requests for payment of expenses against the Funds encumbered and will provide any additional documentation requested by CRM that may be required in the administration of the grant funds.

3. Subrecipient shall comply with all Federal laws and regulations associated with the receipt of Justice Assistance Grant funds as a Subrecipient of such funds for the Program.

4. It is specifically understood and agreed by Subrecipient that CRM shall not be obligated to pay any monies to Subrecipient hereunder and hereafter in the event that such Federal funds for any reason are terminated or withheld from the County or are otherwise not forthcoming, and in such event, CRM may terminate this Interlocal Agreement.

5. This Interlocal Agreement shall take effect on the date of execution and shall continue in force and effect until terminated as delineated below:

a. This Interlocal Agreement shall be completed by September 30, 2021. An extension of the September 30, 2021 deadlines must be authorized by the Department of Justice, if additional time is necessary to complete the Program and the extension of time will not jeopardize any other activity, project or funding source of the County.

b. Either party may terminate this Interlocal Agreement for any reason with written notice of at least 60 calendar days.

6. In the event the County desires to increase the amounts set forth in Section 1 and Exhibit "A", the County, in its discretion, shall increase the aforesaid amounts of funding, and Subrecipient agrees that if such augmentation of the budgeted amount occurs, such new amounts shall be governed by all terms and conditions of this Interlocal Agreement as if such amounts were originally included in Page 2, Section 1 and in Exhibit "A".

Accountability

7. Subrecipient agrees to provide evidence of financial accountability. Subrecipient shall submit to Clark County a copy of Subrecipient's most recent single audit report per 2 CFR Part 200 or a letter stating that it expended less than $500,000 of

Federal funds during that reporting period. If Subrecipient submits a letter stating it expended less than $500,000 in Federal funds, Subrecipient shall provide a recent financial statement certified by an appropriate officer or employee of the Subrecipient. Financial accountability submissions shall be provided to Emma Garcia, Clark County Community Resources Management, 1600 Pinto Lane, 2nd Floor, Las Vegas, Nevada 89106.

8. Subrecipient agrees to include a copy of the SAM.gov documentation for all purchasing expenditures made, utilizing grant funding, through a vendor for purposes of verification reflecting that said vendor is in good standing with the Federal government. Subrecipient agrees not to utilize any product or service from an individual or organization that has been suspended or debarred from Federal grant funds.

9. Subrecipient certifies, by signing this agreement, that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any federal department or agency. This certification is made pursuant to the regulations implement 2 CFR Part 200, Subpart 200.213 Debarment and Suspension and any relevant program-specific regulations. This provision shall be required of every subcontractor receiving any payment in whole or in part from federal funds.

Program Documentation

10. Subrecipient agrees to provide the programmatic and fiscal reports using Performance Management Tools (PMTs) through provided templates to Clark County Community Resource Management by the 5th working day after the end of each calendar quarter to comply with the Department of Justice grant reporting guidelines.

11. Subrecipient agrees to provide invoices for grant reimbursement to CRM on a monthly basis. Invoices must include all of the backup documentation requested to support the expenditure.

Payroll Documentation

12. Subrecipient agrees that charges of salaries, wages and benefits for Subrecipient's employees who are expected to work solely on a single Federal award or cost objective must be supported by semi-annual payroll certifications (per 2 CRF Part 200) that the employee worked solely on that program for the period covered by the certification. Subrecipient agrees that payroll certifications must be signed by the employee and a supervisory official who has firsthand knowledge of the employee's work.

13. Subrecipient agrees that for Subrecipient employees who work on multiple awards, activities or cost objectives, Subrecipient must provide personnel activity reports (per 2 CRF Part 200) to support charges for salaries, wages and benefits. Subrecipient agrees to provide activity reports that reflect an after-the-fact distribution of the actual activity of each employee and account for the total activity for which each employee is compensated with federal funds. Activity reports must be prepared at least

monthly, coincide with one or more pay periods, and be signed by the employee and supervisor who has firsthand knowledge of the employee's work.

14. This Agreement may be executed in any number of counterparts, each of which shall be considered an original for all purposes; provided, however, that all such counterparts shall constitute one and the same instrument.

Audit Requirements

15. This Interlocal Agreement is subject to requirements of United States Office of Management and Budget 2 CFR Chapter I, Part 200, and its relevant subparts. These requirements are subject to the exceptions in 20 CFR Part 667.

Financial Accountability documents must be submitted by agencies in accordance with federal and county policies. Applicants provide one of the following:

A. Agencies that have expended $750,000 or more in Federal funds for the latest reporting period, applicants shall provide the most current single audit in compliance with 2 CFR Part 200, Subpart F, entitled "Audit Requirements" no older than two years; OR

B. For agencies that expended between $100,000 to $749,999 in federal funds in the latest reporting period, provide a copy of your organization's most recent financial statements audited by a Certified Public Accountant (CPA) (no older than two years ago); OR

C. For agencies that expended below $100,000 in federal funds in the latest reporting period, applicants shall provide a letter, signed by the Board President, stating that your agency expended less than $100,000 of Federal funds during that reporting period AND provide a copy of your unaudited Annual Certified Financial Statements (ACFS). ACFSs must be certified (signed and dated) by the Treasurer and the Board President and must be for no earlier than two years. It will need to include a balance sheet and profit and loss statement for the previous year.

D. Clark County will review the agency's physical programmatic and financial files at time of monitoring.

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IN WITNESS WHEREOF, the Parties have set their hands the day and year last written below.

CITY OF LAS VEGAS

Carolyn G. Goodman, Mayor Date

ATTEST:

LuAnn D. Holmes, City Clerk Date

APPROVED AS TO FORM:

John S. Ridilla 6/16/2020
Deputy City Attorney Date

John S. Ridilla
Deputy City Attorney

CLARK COUNTY

Marylin Kirkpatrick, Chair Date

ATTEST:

Lynn Goya, County Clerk Date

APPROVED AS TO FORM:

Steven Sweikert 5-12-20
Steven Sweikert, Date
Deputy District Attorney

Exhibit "A"

EXPENDITURES ELIGIBLE FOR REIMBURSEMENT

LAS VEGAS MUNICIPAL COURT

SPECIALTY COURT PROGRAMS

Fiscal Year 2018 Justice Assistance Grant Funds

**Professional Services:**

| | |
|---|---|
| Consultants/Contracts | $119,665 |
| Travel | $ 8,226 |
| Other-Registration to Conference | $ 1,705 |
| Total Received from JAG 2018: | **$129,596** |

EXHIBIT "B"

EDWARD BYRNE MEMORIAL JAG GRANT

SCOPE OF WORK

Program Year 2018

1. Clark County will provide ONE HUNDRED TWENTY-NINE THOUSAND FIVE HUNDRED AND NINETY-SIX DOLLARS ($129,596) in Fiscal Year 2018 Justice Assistance Grant funds (the "Funds"), to allocate funds to the Las Vegas Municipal Court to provide specialty court services.

2. To receive reimbursement for program activities, Subrecipient will provide a six step specialty court programs to reduce crime and recidivism and increase public safety in the identified target populations. This target population consists of veterans, homeless, prostitutes, DUI offenders, mentally ill and 18-24 year old offenders with the propensity to be involved in crime based risky behaviors.

3. Subrecipient will provide quarterly progress report of the number of offenders who have participated in the program.

4. Subrecipient will provide notice to Clark County Community Resources Management of any program changes, including, but not limited to a written justification of the scope of work and per line budget changes within 30-days for which Fiscal Year 2018 Justice Assistance Grant funds are allocated under the provisions of this Interlocal Agreement.

5. Subrecipient agrees that approval of program changes including, but not limited to budget modifications, changes in the grantee authorized signing official, grantee contact, grantee mailing address, grantee name, project period, project scope, program office approvals and sole source approvals must have prior DOJ approval before being implemented.

# *AGENDA SUMMARY PAGE*
**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**18**

**DEPARTMENT: Operations & Maintenance** **CONSENT**
**DIRECTOR: Jerry Walker**

**SUBJECT:**
For possible action to approve a Log Cabin Common Element Drainage and Maintenance Agreement between the City of Las Vegas, D.R. Horton, Inc. and the Log Cabin Master Homeowners Association for drainage improvements for the subdivision units located at the northeast and northwest corners of Durango Drive and Log Cabin Way - Ward 6 (Fiore)

**FISCAL IMPACT:**
None

**PURPOSE/BACKGROUND:**
HOA common element maintenance and drainage dedication for APN's 125-04-111-060, 125-04-111-061, 125-04-112-084, 125-04-112-085, 125-04-612-080, 125-04-611-078, 125-04-210-003 and 125-05-510-002 were problematic and associated requirements not completed. The Agreement will clarify and restate the requirements and allow for resolution of contested and open concerns.

**RECOMMENDATION:**
Approval

**BACKUP DOCUMENTATION:**
1. Log Cabin Common Element Drainage and Maintenance Agreement

**LOG CABIN COMMON ELEMENT DRAINAGE AND MAINTENANCE AGREEMENT BETWEEN THE CITY OF LAS VEGAS, D.R. HORTON, INC., AND LOG CABIN HOMEOWNERS ASSOCIATION**

This LOG CABIN COMMON ELEMENT DRAINAGE AND LANDSCAPE DRAINAGE AND LANDSCAPE AGREEMENT ("Agreement") is entered into by and between the City of Las Vegas, a municipal corporation of the State of Nevada ("City"), D.R. Horton, Inc., a Delaware Corporation ("Developer"), and the Log Cabin Master Homeowners Association, a Common Interest Community in accordance with State of Nevada statutes ("HOA"). City, Developer, and HOA are sometimes collectively herein as the "Parties."

This Agreement is effective on the later of the date of approval by the Las Vegas City Council, Developer, and the HOA, each as noted on the signature page hereto, as long as approval by the last party is within (60) calendar days of approval by the first party ("Effective Date").

**RECITALS**

WHEREAS, the Log Cabin subdivision was a Developer project in northwest Las Vegas completed in the approximate period between 2005 and 2012, and comprised of 7 different subdivision units (each, a "Unit") with Units 1 thru 6 on the northeast corner of Durango Drive and Log Cabin Way, and Unit 7 on the northwest corner of that intersection; and

WHEREAS, the respective final maps for the Units created drainage related common elements on 8 separate perimeter parcels; and

WHEREAS, the drainage improvements completed by the development activities were not intended to be public facilities; accordingly, they were designed and constructed such that they were not in compliance with City dedication standards; and

WHEREAS, the development related drainage improvements that did not meet City dedication standards are now required to be dedicated as public drainage easements with private maintenance; and

WHEREAS, there have been problems and disputes with these parcels, including maintenance and repair responsibilities and the incomplete transfer of ownership of the parcels; and

WHEREAS, all applicable City off-site improvement development agreements, permit and bonds have previously been closed out; and

WHEREAS, City has a planned flood control capital improvement project on the Moccasin Road alignment ("Moccasin CIP"), which could possibly be designed and constructed so as to eliminate some of the private maintenance concerns; and

WHEREAS, the Parties desire to resolve the ongoing conflicts, complete the property transfers, identify common element use options, and document interim and long term responsibilities among the Parties.

NOW, THEREFORE, in consideration of the foregoing recitals, the promises and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:



## AGREEMENT

I. Parcel identifications and respective agreement details.

A. APN 12504111060 ("Parcel 1").

1. Parcel 1 and all other discussed parcels in this section are shown on the exhibit included with this Agreement as Attachment A, using the name provided in parentheses after the APN identification in the subsection title.

2. Parcel 1 was created and recorded on the final map for Unit 1 and identified as *Common Lot "A"*. The ownership of Parcel 1 is identified by the Clark County Assessor as *Log Cabin Master Homeowners Assn.*

3. Parcel 1 is on the east side of Durango and south side of Moccasin. It includes an extended 20' wide strip paralleling the east side of Durango which is identified for multi-use trail improvements, but that section of Parcel 1 is not of concern to this Agreement.

3. The larger section of Parcel 1 parallels Moccasin and is the first of four, which include significant earthen channel surface drainage improvements to convey storm flows. A public drainage easement was granted; however, the earthen channels do not meet City dedication standards, and maintenance of the earthen channels was designated as an HOA responsibility.

4. The channel has previously been subject to premature failure, with significant repairs being required of the Developer in association with development acceptance, and the continued HOA maintenance of this channel is an issue of concern.

5. As a condition of this Agreement, City agrees to use commercially reasonable efforts that may be fiscally constrained to design the Moccasin CIP so that the existing surface channel drainage improvements are replaced with subsurface box or pipe improvements, which are in compliance with City and other applicable standards, and to accept responsibility for those improvements once constructed.

6. HOA agrees to continue to maintain the common element of Parcel 1 in accordance with past maintenance practices, with the channel structure exception as provided below, until such time as Moccasin CIP is complete. Upon completion of City subsurface improvements, HOA will have no maintenance responsibilities for those improvements and associated appurtenances (including lateral pipes, cleaning of subsurface drop inlet structures, and structural inlet grate concerns). The City shall reasonably restore surface improvements in accordance with CIP landscape plans, which will match adjacent surface improvements. Thereafter, the HOA shall be responsible for all other common element maintenance, including the surface improvements overlying the subsurface components and cleaning of debris from the tops of any drop inlet grates within and providing for drainage of the common element.

7. Developer agrees to provide for any structural channel repairs, which City reasonably deems necessary in the intervening period that will not otherwise be repaired or replaced as part of the Moccasin CIP and which present a life safety issue, including fencing, and is relieved of all responsibilities for this common element upon Moccasin CIP completion.

8. The storm drain facility crossing under Hanky Panky Street is part of the Moccasin CIP and will be City-maintained including associated appurtenances such as lateral pipes, cleaning of drop inlet structures, and structural inlet grate concerns). All roadway improvements of this private street are the HOA responsibility, including cleaning of debris from the top of any drop inlet grate servicing the private roadway.



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B. APN 12504111061 ("Parcel 2").

1. Parcel 2 was created and recorded on the final map for Unit 1, and identified as *Common Lot "B"*. The ownership of Parcel 2 is identified by the Clark County Assessor as *D R Horton*.

2. Parcel 2 is on the south side of Moccasin and is the eastern continuation of Parcel 1. It includes the same easement and maintenance text, along with the same maintenance considerations, as Parcel 1.

3. As a condition of this Agreement, City agrees to use commercially reasonable efforts that may be fiscally constrained, to design Moccasin CIP so that the existing surface channel improvements are replaced with subsurface box or pipe improvements, which are in compliance with City and other applicable standards, and to accept responsibility for those improvements once constructed.

4. HOA agrees to continue to maintain the common element of Parcel 2 in accordance with past maintenance practices, with the channel structure exception as provided below, until such time as Moccasin CIP is complete. Upon completion of City subsurface improvements, HOA will have no maintenance responsibilities for those improvements and associated appurtenances (including lateral pipes, cleaning of subsurface drop inlet structures, and structural inlet grate concerns). The City shall reasonably restore surface improvements in accordance with CIP landscape plans which will match adjacent surface improvements. Thereafter, the HOA shall be responsible for all other common element maintenance, including the surface improvements overlying the subsurface components and cleaning of debris from the tops of any drop inlet grates within and providing for drainage of the common element. HOA further agrees to accept property transfer/ownership of Parcel 2 upon CIP completion.

5. Developer agrees to provide for any structural channel repairs which City reasonably deems necessary in the intervening period that will not otherwise be repaired or replaced as part of the Moccasin CIP and which present a life safety issue, including fencing, and is relieved of all responsibilities for this common element upon Moccasin CIP completion. Developer will transfer ownership of Parcel 2 to the HOA upon CIP completion.

C. APN 12504112084 ("Parcel 3").

1. Parcel 3 was created and recorded on the final map for Unit 3, and identified as *Common Lot "A"*. The ownership of this parcel is identified by the Clark County Assessor as *D R Horton*.

2. Parcel 3 is on the south side of Moccasin and is the eastern continuation of Parcel 2. It includes the same easement and maintenance text, along with the same maintenance considerations, as Parcels 1 and 2.

3. As a condition of this Agreement, City agrees to use all commercially reasonable efforts that may be fiscally constrained to design Moccasin CIP so that the existing surface channel improvements are replaced with subsurface box or pipe improvements, which are in compliance with City and other applicable standards, and to accept responsibility for those improvements once constructed.

4. HOA agrees to continue to maintain the common element of Parcel 3 in accordance with past maintenance practices, with the channel structure exception as provided below, until such time as Moccasin CIP is complete. Upon completion of City subsurface improvements, HOA will have no maintenance responsibilities for those improvements and associated appurtenances (including lateral pipes, cleaning of subsurface drop inlet structures, and structural inlet grate concerns). The City shall reasonably restore surface improvements in accordance with CIP landscape plans, which will match adjacent surface improvements. Thereafter, the HOA shall be responsible for all other common element



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maintenance, including the surface improvements overlying the subsurface components and cleaning of debris from the tops of any drop inlet grates within and providing for drainage of the common element. HOA further agrees to accept property transfer/ownership of Parcel 3 upon CIP completion.

5. Developer agrees to provide for any structural channel repairs which City deems in its reasonable discretion necessary in the intervening period that will not otherwise be repaired or replaced as part of the Moccasin CIP and which present a life safety issue, including fencing, and is relieved of all responsibilities for this common element upon Moccasin CIP completion. Developer will transfer ownership of Parcel 3 to the HOA upon CIP completion.

6. The storm drain facility crossing under Squirrels Nest Street is part of the Moccasin CIP and will be City maintained including associated appurtenances such as lateral pipes, cleaning of subsurface drop inlet structures, and structural inlet grate concerns). All roadway improvements of this private street are the HOA responsibility, including cleaning of debris from the top of any drop inlet grate servicing the private roadway.

D. APN 12504112085 ("Parcel 4").

1. Parcel 4 was created and recorded on the final map for Unit 3, and identified as *Common Lot "B"*. The ownership of Parcel 4 is identified by the Clark County Assessor as *D R Horton*.

2. Parcel 4 is on the south side of Moccasin and is the eastern continuation of Parcel 3. It includes the same easement and maintenance text, along with the same maintenance considerations, as Parcels 1, 2 and 3.

3. As a condition of this Agreement, City agrees to use commercially reasonable efforts that may be fiscally constrained to design Moccasin CIP so that the existing surface channel improvements are replaced with subsurface box or pipe improvements, which are in compliance with City and other applicable standards, and to accept responsibility for those improvements once constructed.

4. HOA agrees to continue to maintain the common element in accordance with past maintenance practices, with the channel structure exception as provided below, until such time as Moccasin CIP is complete. Upon completion of City subsurface improvements, HOA will have no maintenance responsibilities for those improvements and associated appurtenances (including lateral pipes, cleaning of subsurface drop inlet structures, and structural inlet grate concerns). The City shall reasonably restore surface improvements in accordance with CIP landscape plans, which will match adjacent surface improvements. Thereafter, the HOA shall be responsible for all other common element maintenance, including the surface improvements overlying the subsurface components and cleaning of debris from the tops of any drop inlet grates within and providing for drainage of the common element. HOA further agrees to accept property transfer/ownership of Parcel 4 upon CIP completion.

5. Developer agrees to provide for any structural channel repairs which City reasonably deems necessary in the intervening period that will not otherwise be repaired or replaced as part of the Moccasin CIP and which present a life safety issue, including fencing, and is relieved of all responsibilities for this common element upon Moccasin CIP completion. Developer will transfer ownership of Parcel 4 to the HOA upon CIP completion.

E. APN 12504612080 ("Parcel 5").

1. Parcel 5 was created and recorded on the final map for Unit 5, and identified as *Common Lot "W"*. The ownership of Parcel 5 is identified by the Clark County Assessor as *Log Cabin Master HOA*.

2. Parcel 5 is immediately outside of the private perimeter wall along the north (20'



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wide) and east (40' wide) boundaries of Unit 5. It is in turn bounded by federally-owned native desert areas.

3. Parcel 5 allows HOA access to the outside of these sections of private perimeter wall for maintenance activities such as vector control, graffiti abatement, collection of illegal dumping and windblown trash, and mitigation of problematic vegetation growth.

4. Parcel 5 requires no action in association with this Agreement; rather, it is listed for informational purposes as related to the other parcels, plus clarification of maintenance considerations.

F. APN 12504611078 ("Parcel 6").

1. Parcel 6 was created and recorded on the final map for Unit 6 and identified as *Common Lot "E"*. The ownership of Parcel 6 is identified by the Clark County Assessor as *Log Cabin Master H O A*.

2. The 40' wide parcel is immediately outside of the perimeter wall along the east boundaries of Unit 6, and it is the southern extension of Parcel 5. It is in turn bounded by Federally-owned native desert areas.

3. As with Parcel 5, Parcel 6 allows HOA access to the outside of this section of private perimeter wall for maintenance activities such as wall maintenance, vector control, graffiti abatement, collection of illegal dumping and windblown trash, and mitigation of problematic vegetation growth. In addition, Parcel 6 receives significant private property-related nuisance and storm surface flow draining out at the east end of Canyon Park Avenue.

4. The short section of Parcel 6 south of the Canyon Park Avenue drainage outlet is a known vegetation growth and mosquito vector control problem due to the drainage into the desert area and extending out into the City's Floyd Lamb Park. Both City and HOA recognize ownership maintenance responsibilities for respectively owned properties.

G. APN 12504210003 ("Parcel 7").

1. Parcel 7 shown as an existing adjacent parcel on the final map for Units 2 and 4, and identified as *Lot 8 Log Cabin Ranch*. The ownership of Parcel 7 is identified by the Clark County Assessor as *Log Cabin Master Homeowners Assn.*

2. Parcel 7 is immediately outside of the private perimeter wall along the south boundary of Unit 2 and part of Unit 4. The maps for Unit 4 and 6 show a second parcel to the east along the remainder of the southern frontage, identified as *Lot 9 Log Cabin Ranch*; however, that parcel does not show on the current parcel map but rather the area shows as being part of the City owned APN 12504301005 (aka Floyd Lamb Park).

3. As with Parcels 5 and 6, Parcel 7 currently allows HOA access to the outside of this section of private perimeter wall for maintenance activities.

4. Upon full execution of this Agreement, the HOA shall transfer, and the City shall accept, ownership of Parcel 7. Upon transfer of ownership, City shall be responsible for all property maintenance requirements, including mitigation of significant erosion concerns created by the flow of storm water through a surface drainage structure on the east side of 8209 Dancing Avenue.

5. The HOA will still be responsible for maintenance of the perimeter block wall, plus the existing concrete surface drainage improvements, subsurface storm drain lateral connections and associated wrought iron fencing at the south ends of Lazy Bear Street, Birds Court Nest, and immediately east of 8209 Dancing Avenue. The HOA is hereby granted access for non-disruptive maintenance





activities such as block wall painting and minor fence repairs. Activities which require equipment and/or vehicle access onto Parcel 7 will require issuance of a City permit, which will not be unreasonably withheld or conditioned.

6. The City shall maintain and continue the use of Parcel 7 as a low impact recreational pedestrian, equestrian and bicycle trail, but the City reserves the right for future construction activities needed for potential subsurface storm drain installation and/or recreational improvements. City acknowledges that continuation of the recreational application by the City will ensure compliance with zoning and any associated development requirements and will ensure continuation of any HOA compliance considerations associated with Parcel 7.

H. APN 12505510002 ("Parcel 8").

1. Parcel 8 is shown as an existing adjacent parcel on the final map for Unit 7 and identified as *Lot 10 Log Cabin Ranch*. The ownership of Parcel 8 is identified by the Clark County Assessor as *D R Horton Inc*.

2. Parcel 8 is immediately outside of the perimeter wall along the west boundary of Unit 7. Parcel 8 allows the HOA access, and the HOA is responsible for the common element and perimeter wall maintenance. This includes surface drainage facilities, pavement maintenance, vector control, and graffiti abatement, collection of illegal dumping and windblown trash, and mitigation of problematic vegetation growth.

3. The City shall be responsible for the maintenance of underground drainage facilities labeled as public on the Log Cabin Ranch Infrastructure plans.

4. Developer agrees to provide for any structural repairs which City deems necessary in the intervening period that will not otherwise be repaired or replaced as part of the Moccasin CIP and which present a life safety issue, including fencing, walls, and surface drainage improvements, and is relieved of all responsibilities for this common element upon Moccasin CIP completion. Developer will transfer ownership of Parcel 8 to the HOA upon CIP completion. Thereafter, the HOA shall be responsible for all other common element maintenance, including fencing, walls, and surface drainage improvements.

II. Miscellaneous Provisions.

A. Indemnification.

1. Each party shall be responsible for all liability, claims, actions, damages, losses, and expenses caused by the negligence, errors, omissions, recklessness or intentional misconduct of its own officers, employees, and agents. The City does not waive and intend to assert all available NRS Chapter 41 liability limitations in all cases. Any liability of any party shall not be subject to punitive damages. This section shall survive any termination or natural expiration of this Agreement.

B. All the exhibits to the Agreement are material terms to the Agreement and are specifically incorporated herein, as if part of the Agreement.

C. Each party warrants and represents that (i) this Agreement in its reduction to final written form is a result of extensive good faith arm's length negotiations between the Parties through their respective representatives; (ii) said representatives have carefully reviewed and examined this Agreement for execution by the Parties; and (iii) any statute or rule of construction that ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of the Agreement.

D. The prevailing party in any action brought to enforce the terms of this Agreement shall be



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entitled to its reasonable attorneys' fees and costs incurred in enforcing this Agreement.

E. This Agreement and the rights and obligations of the Parties hereto shall be governed by, and construed according to, the laws of the State of Nevada. The Parties consent to the exclusive jurisdiction of the Nevada state district courts for enforcement of this Agreement.

F. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable for whatever reason, the remaining provisions not so declared shall, nevertheless, continue in full force and effect, without being impaired in any manner whatsoever.

G. All notices or other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if delivered personally in hand, by electronic mail with simultaneous regular mail, by recognized overnight delivery carrier, or mailed certified mail, return receipt requested, postage prepaid on the date posted, and addressed to the other parties at the address set forth below:

For City:
Attn.: Real Estate Manager
Operations and Maintenance Department
City of Las Vegas
333 North Rancho Drive, 8th Floor
Las Vegas, Nevada 89106
Telephone: (702) 229-1022

For HOA:
Attn: The Log Cabin Homeowners Association
C/O First Service Residential
8290 Arville Street
Las Vegas, NV 89139
Telephone: (702) 215-5077

For Developer:
D. R. Horton, Inc., Las Vegas Division
1081 Whitney Ranch Drive, Suite 141
Henderson, NV 89014
Attn: Dave Jennings, Vice President - Land
E-mail: dsjennings@drhorton.com
Phone: (702) 635-3600

D. R. Horton, Inc., Las Vegas Division
1081 Whitney Ranch Drive, Suite 141
Henderson, NV 89014
Attn: Justin Allsop, Division Counsel
E-mail: jallsop@drhorton.com
Phone: (702) 635-3624

D. R. Horton, West Region
11241 Slater Avenue NE, Suite 120
Kirkland, WA 98033
Attn.: Kelly White
E-mail: kwhite@drhorton.com
Phone: (425) 307-6269

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D. R. Horton, Inc.
1341 Horton Circle
Arlington, TX 76011
Attn: Ted I. Harbour, Esq. and Mark Karnes, Esq.
E-mail: THarbour@drhorton.com and
MKarnes@drhorton.com
Phone: (817) 390-8200

H. Counterparts; Electronic Delivery. This Agreement may be executed in counterparts, all such counterparts will constitute the same Agreement and the signature of any party to any counterpart will be deemed a signature to, and may be appended to, any other counterpart. Executed copies hereof may be delivered by facsimile or e-mail and upon receipt will be deemed originals and binding upon the Parties hereto, regardless of whether originals are delivered thereafter.

**[EXECUTION PAGE FOLLOWS]**

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**LOG CABIN COMMON ELEMENT DRAINAGE AND MAINTENANCE AGREEMENT BETWEEN THE CITY OF LAS VEGAS, D.R. HORTON, INC., AND LOG CABIN HOMEOWNERS ASSOCIATION**

Signature Page

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year first written above.

**CITY OF LAS VEGAS**
**"CITY"**

By: _____
Carolyn G. Goodman, Mayor

Date: _____

ATTEST:

By: _____
LuAnn D. Holmes, MMC, City Clerk

APPROVED AS TO FORM:

By: John S. Ridilla 6/9/2020
John S. Ridilla Date
Chief Deputy City Attorney

**LOG CABIN HOMEOWNERS ASSOCIATION**
**"HOA"**

By: Steven G. Lauber

Printed Name: STEVEN G. LAUBER

Title: PRESIDENT, LOG CABIN MASTER HOA

Date: JUNE 8, 2020

**D.R. HORTON, INC.**
**"DEVELOPER"**

By: _____

Printed Name: David Jennings

Title: Division V.P.

Date: 5/29/20

**LOG CABIN COMMON ELEMENT DRAINAGE AND MAINTENANCE AGREEMENT BETWEEN THE CITY OF LAS VEGAS, D.R. HORTON, INC., AND LOG CABIN HOMEOWNERS ASSOCIATION**

**ATTACHMENT A**

**LOG CABIN SUBDIVISION AERIAL MAP WITH PARCEL IDENTIFICATIONS**







# ATTACHMENT A

## Log Cabin Common Element Drainage & Landscape Agreement

GIS maps are normally produced only to meet the needs of the City. Due to continuous development activity this map is for reference only.

City of Las Vegas

# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**19**

**DEPARTMENT: Planning** **CONSENT**

**DIRECTOR: Robert Summerfield**

**SUBJECT:**
For possible action to approve a Tavern License for a Change of Ownership FROM: LUCKY DRAGON HOTEL & CASINO, LLC TO: 300 WEST SAHARA, LLC dba AHERN HOTEL at 300 West Sahara Avenue - Ward 3 (Diaz)

**FISCAL IMPACT:**
None

**PURPOSE/BACKGROUND:**
For possible action to approve a Tavern License for a Change of Ownership.

**RECOMMENDATION:**
Staff recommends APPROVAL.

**BACKUP DOCUMENTATION:**
1. Ownership
2. Location Map

City of Las Vegas

## *AGENDA MEMO*

**CITY COUNCIL MEETING DATE: JULY 8, 2020**
**DEPARTMENT: PLANNING**
**ITEM DESCRIPTION: For possible action to approve a Tavern License for a Change of Ownership FROM: LUCKY DRAGON HOTEL & CASINO, LLC TO: 300 WEST SAHARA, LLC dba AHERN HOTEL at 300 West Sahara Avenue - Ward 3 (Diaz)**

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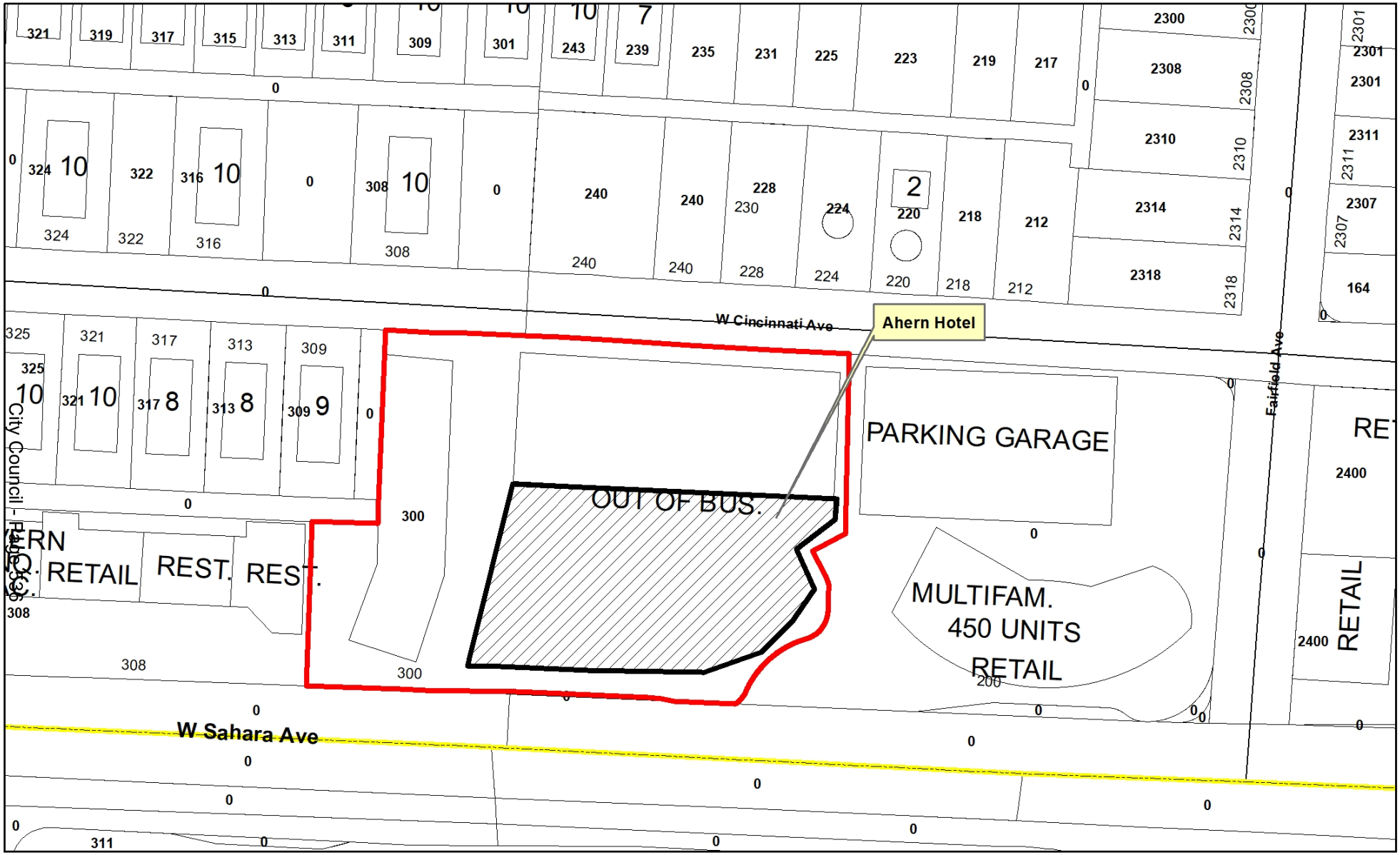
**OWNERSHIP:**

**300 WEST SAHARA, LLC**
Hospitality Holdings, LLC, Managing Member
Don F. Ahern, Manager
DFA, LLC, Member
Don F. Ahern, Manager
EBA Holdings, Inc., Member
Don F. Ahern, President, Secretary, Treasurer, Director
DFA Separate Property Trust, Shareholder
Don F. Ahern, Trustee
DFA Separate Property Trust, Member
Don F. Ahern, Trustee




**Ahern Hotel**
**300 West Sahara Avenue**
**Ward 3**

Freeways
Subject Property
City Limits
Site Location

N

GIS maps are normally produced only to meet the needs of the City. Due to continuous development activity this map is for reference only.
**Geographic Information System**
Planning & Development Dept.
702-229-6301

Date: Monday, June 8, 2020

# *AGENDA SUMMARY PAGE*
**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**20**

**DEPARTMENT: Planning** **CONSENT**
**DIRECTOR: Robert Summerfield**

**SUBJECT:**
For possible action to approve a Temporary Beer/Wine/Cooler On-Sale License KUCARA MAKARA, LLC dba KUCARA MACARA ICE CREAM at 4225 West Sahara Avenue - Ward 1 (Knudsen)

**FISCAL IMPACT:**
None

**PURPOSE/BACKGROUND:**
For possible action to approve a Temporary Beer/Wine/Cooler On-Sale License.

**RECOMMENDATION:**
Staff recommends APPROVAL of a temporary beer/wine/cooler on-sale license with the authority of the Director or designee to issue a permanent license upon receipt of a favorable investigative report.

**BACKUP DOCUMENTATION:**
1. Ownership
2. Location Map

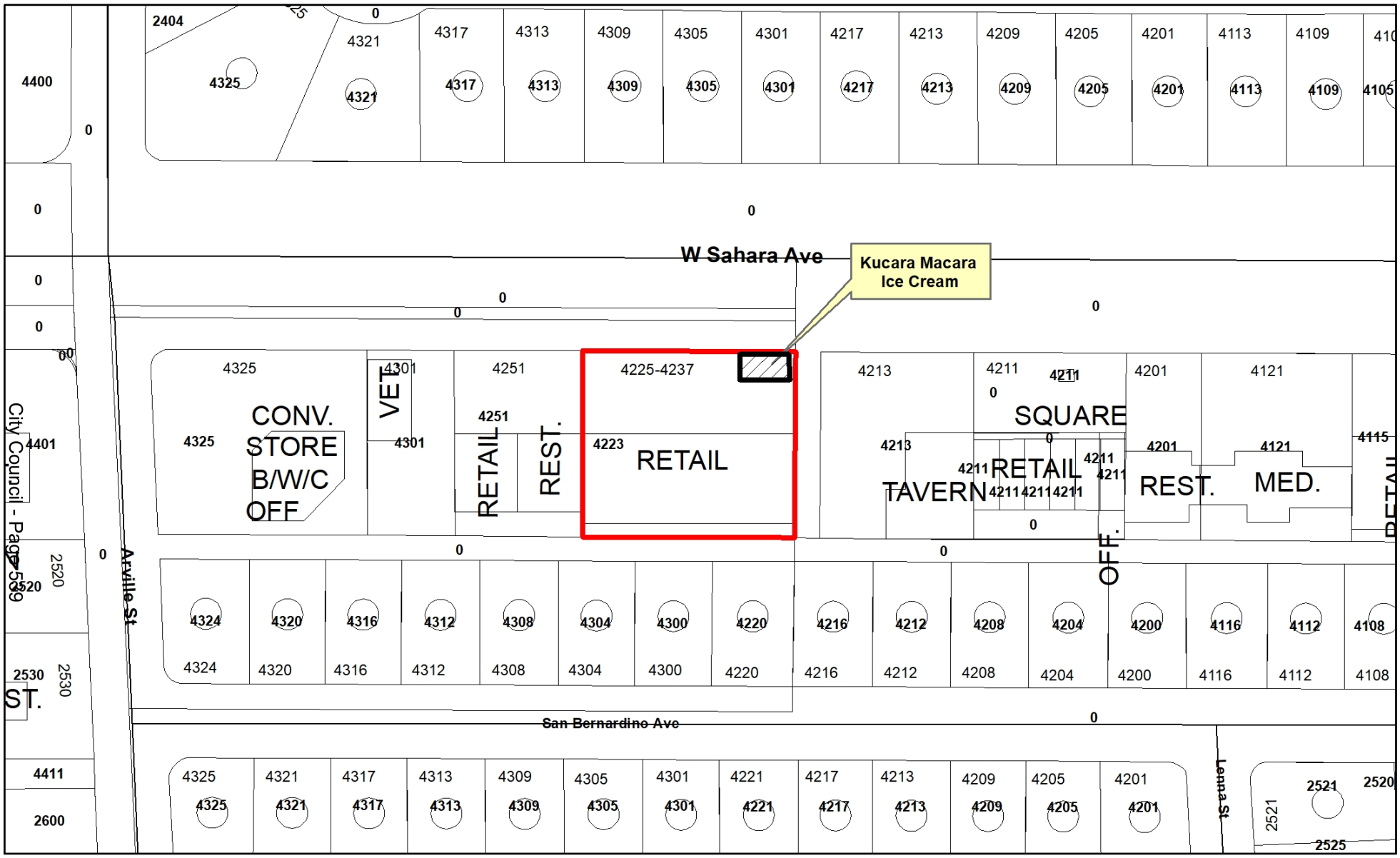
City of Las Vegas

## *AGENDA MEMO*

**CITY COUNCIL MEETING DATE: JULY 8, 2020**
**DEPARTMENT: PLANNING**
**ITEM DESCRIPTION: For possible action to approve a Temporary Beer/Wine/Cooler On-Sale License KUCARA MAKARA, LLC dba KUCARA MACARA ICE CREAM at 4225 West Sahara Avenue - Ward 1 (Knudsen)**

**OWNERSHIP:**

**KUCARA MAKARA, LLC**
Martin Omana, Managing Member
Luz Quintero Erendida Sotelo, Managing Member




# Kucara Macara Ice Cream

**4225 West Sahara Avenue**

**Ward 1**

Freeways

Subject Property

City Limits

Site Location

N

GIS maps are normally produced only to meet the needs of the City. Due to continuous development activity this map is for reference only.

**Geographic Information System**

Planning & Development Dept.

702-229-6301

Date: Thursday, June 4, 2020

# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**21**

**DEPARTMENT: Public Works** **CONSENT**
**DIRECTOR: Mike Janssen**

**SUBJECT:**
For possible action to approve Interlocal Contract 1184 between the City of Las Vegas (CLV) and the Regional Transportation Commission of Southern Nevada (RTC) to provide funding for engineering for the Utah Avenue, Industrial Road to 3rd Street Project ($1,250,000 - Road and Flood Capital Project Fund [CPF]) - Ward 3 (Diaz)

**FISCAL IMPACT:**
Budget Funds Available
Amount: $1,250,000
Funding Source: Road and Flood CPF
Dept./Division: Public Works/Transportation Engineering

**PURPOSE/BACKGROUND:**
The CLV has requested funding to commence engineering design for the Utah Avenue, Industrial Road to 3rd Street Project. Improvements may include curb and gutter, asphalt pavement, sidewalk, intersection improvements, pedestrian and bicycle safety upgrades, street trees, and any other appurtenant items necessary to complete the project. Total funding for the project from Fuel Revenue Indexing Extension funds shall not exceed $1,250,000. The RTC approved this contract at their May 21, 2020 Board Meeting.

**RECOMMENDATION:**
Approval

**BACKUP DOCUMENTATION:**
1. Interlocal Contract 1184

DocuSign Envelope ID: 10B8C2B8-2879-4A1A-A92C-6F9E8D4A7343



# INTERLOCAL CONTRACT
# UTAH AVENUE, INDUSTRIAL ROAD TO 3RD STREET

**THIS INTERLOCAL CONTRACT** is made and entered into this 21ST day of May 2020, by and between the City of Las Vegas, a municipal corporation, hereinafter referred to as "CITY" and the Regional Transportation Commission of Southern Nevada, hereinafter referred to as "RTC."

## W I T N E S S E T H

**WHEREAS**, the CITY intends to design improvements to Utah Avenue, Industrial Road to 3rd Street, which is included on the adopted RTC Capital Improvements Plan, hereinafter referred to as "PROJECT," located wholly within the City of Las Vegas; and

**WHEREAS**, Nevada Revised Statue (NRS) Chapter 277.180 authorizes any one or more public agencies to contract with any one or more other public agencies to perform any governmental service, activity or undertaking which any of the public agencies entering into the agreement is authorized by law to perform and refers to such as an interlocal agreement; and

**WHEREAS**, the CITY agrees to conform to the current RTC Policies and Procedures, as amended and incorporated herein by reference; and

**WHEREAS**, the CITY is requesting funds to commence engineering for the PROJECT; and

**NOW, THEREFORE**, in consideration of the covenants, conditions, agreements, and promises of the Parties hereto, the Parties agree to proceed as follows:

## SECTION I: SCOPE OF PROJECT

This Interlocal Contract #1184 applies to roadway improvements associated with Utah Avenue, Industrial Road to 3rd Street. Improvements may include, but are not limited to, pavement, curb, gutter, sidewalks, traffic signal modifications, utility relocation, upgraded street lighting, Americans with Disabilities Act improvements, complete street elements as feasible, street trees and landscape, and any other appurtenant items necessary to complete the project. The project limits are more specifically defined in Exhibit "A" which is hereto and by this reference incorporated herein.

## SECTION II: PROJECT COSTS

The RTC agrees to provide Fuel Revenue Indexing Extension funding for all costs associated with the PROJECT as outlined below:

1. The total cost for this contract shall not exceed $1,250,000.00.

2. Authorizations to Proceed (ATP) are granted as follows:

    a. ENGINEERING not to exceed $1,250,000.00
    b. RIGHT-OF-WAY not to exceed $0.00
    c. CONSTRUCTION not to exceed $0.00

3. At the time the ATP for construction is granted, the CITY will make all attempts to publish the bid for this PROJECT within 90 calendar days.

4. A supplemental interlocal contract will be required for any changes to the amounts identified in number 2 above.

## SECTION III: GENERAL

1. The title sheet of both the plans and specifications shall designate the RTC as the funding agency. If construction funds are provided by sources other than the RTC, the plans, contract documents, special provisions, and PROJECT signs shall also show the RTC as a funding agency.

2. Preliminary engineering, design and right-of-way engineering shall be performed by the CITY or by a consultant employed by the CITY.

3. The design, construction, right-of-way acquisition and contract administration of the PROJECT shall comply with the requirements as set forth in the current "Policies and Procedures" of the RTC.

4. The CITY's Department of Public Works has a policy which effectively prohibits utility cuts through the pavement for a period of five years after the completion of a PROJECT.

5. Upon completion of the construction of the PROJECT, it shall be maintained by the CITY and no funding is provided by this Contract for such maintenance.

6. The PROJECT must be completed to the satisfaction of the RTC prior to the current applicable completion date of June 30, 2025. The RTC may, at any time thereafter, grant time extensions or terminate this Contract and require all sums advanced to the CITY be repaid.

7. It is understood and agreed that the purpose of this Interlocal Contract is to fund the PROJECT as herein above set forth. It is further understood and agreed that the CITY is responsible for the design and construction of the PROJECT. The CITY will be responsible for the actions or inactions of its Officers and Employees. The RTC's sole responsibility is to facilitate funding for the PROJECT. The RTC disavows any responsibility for the actions or inactions of the CITY, its Officers, Employees, or agents.

8. Should the construction funds be provided by sources other than the RTC, the CITY will reimburse the RTC for a percentage of the preliminary engineering and design costs associated with other funding sources, as mutually agreed upon by the RTC and the CITY.

*The remainder of this page is left intentionally blank.*

**IN WITNESS WHEREOF**, this Interlocal Contract #1184 is effective as of the date first set forth above.

Date of Commission Action:

May 21, 2020

REGIONAL TRANSPORTATION COMMISSION

BY: DocuSigned by: Lawrence L. Brown III 9BD793A7A53B47A...

LAWRENCE L. BROWN III, Chairman

Attest:

DocuSigned by: Marin DuBois 67E25985C7E8458...

MARIN DUBOIS, Management Analyst

Approved as to Form:

DocuSigned by: David Clyde C20A409B6B774C0...

RTC Legal Counsel

Date of Council Action:

CITY OF LAS VEGAS

BY: _____

CAROLYN G. GOODMAN, Mayor

Attest:

LUANN D. HOLMES, MMC
City Clerk

Approved as to Form:

John S. Ridilla
Deputy City Attorney

John S. Ridilla 6/8/2020

Deputy City Attorney Date

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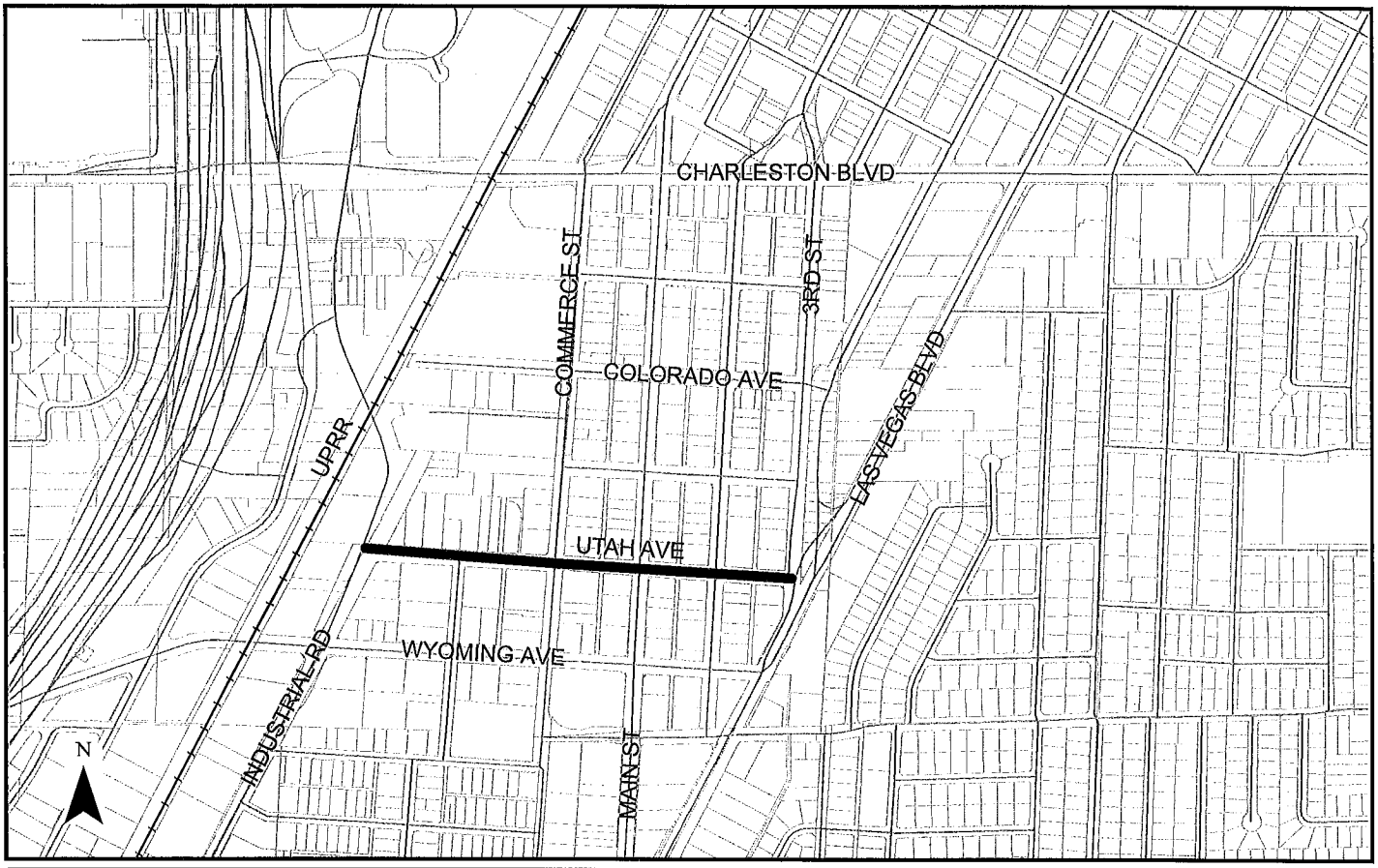


3/25/2020

# EXHIBIT A

# UTAH AVENUE, INDUSTRIAL ROAD TO 3RD STREET

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# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**22**

**DEPARTMENT: Public Works** **CONSENT**
**DIRECTOR: Mike Janssen**

**SUBJECT:**
For possible action to approve Interlocal Contract 1182 between the City of Las Vegas (CLV) and the Regional Transportation Commission of Southern Nevada (RTC) to provide funding for construction for the Ogden Avenue, Main Street to Casino Center Boulevard Project ($6,000,000 - Road and Flood Capital Project Fund [CPF]) - Ward 5 (Crear)

**FISCAL IMPACT:**
Budget Funds Available
Amount: $6,000,000
Funding Source: Road and Flood CPF
Dept./Division: Public Works/Transportation Engineering

**PURPOSE/BACKGROUND:**
The CLV has requested funding to commence construction for Ogden Avenue from Main Street to Casino Center Boulevard. Improvements include replacing pavement, curb, gutter, sidewalks, traffic signal upgrades, utility relocation, streetlighting, Intelligent Transportation Systems improvements, storm drain, Americans with Disabilities Act improvements, complete street elements as feasible, street trees and landscaping, and any other appurtenant items necessary to complete the project. Total funding for the project from Fuel Revenue Indexing Extension funds shall not exceed $6,000,000. The RTC approved this contract at their May 21, 2020 Board Meeting.

**RECOMMENDATION:**
Approval

**BACKUP DOCUMENTATION:**
1. Interlocal Contract 1182

DocuSign Envelope ID: 10B8C2B8-2879-4A1A-A92C-6F9E8D4A7343



# INTERLOCAL CONTRACT
# OGDEN AVENUE, MAIN STREET TO CASINO CENTER BOULEVARD

**THIS INTERLOCAL CONTRACT** is made and entered into this 21ST day of May 2020, by and between the City of Las Vegas, a municipal corporation, hereinafter referred to as "CITY" and the Regional Transportation Commission of Southern Nevada, hereinafter referred to as "RTC."

## W I T N E S S E T H

**WHEREAS**, the CITY intends to construct improvements to Ogden Avenue, Main Street to Casino Center Boulevard, which is included on the adopted RTC Capital Improvements Plan, hereinafter referred to as "PROJECT," located wholly within the City of Las Vegas; and

**WHEREAS**, Nevada Revised Statue (NRS) Chapter 277.180 authorizes any one or more public agencies to contract with any one or more other public agencies to perform any governmental service, activity or undertaking which any of the public agencies entering into the agreement is authorized by law to perform and refers to such as an interlocal agreement; and

**WHEREAS**, the CITY agrees to conform to the current RTC Policies and Procedures, as amended and incorporated herein by reference; and

**WHEREAS**, the CITY is requesting funds to commence construction of the PROJECT; and

**NOW, THEREFORE**, in consideration of the covenants, conditions, agreements, and promises of the Parties hereto, the Parties agree to proceed as follows:

## SECTION I: SCOPE OF PROJECT

This Interlocal Contract #1182 applies to roadway improvements for Ogden Avenue, Main Street to Casino Center Boulevard. Improvements include, but are not limited to, replacing pavement, curb, gutter, sidewalks, traffic signal upgrades, utility relocation, streetlighting, Intelligent Transportation Systems improvements, storm drain, Americans with Disabilities Act improvements, complete street elements as feasible, street trees and landscaping, and any other appurtenant items necessary to construct a complete and functional project. The project limits are more specifically defined in Exhibit "A" which is hereto and by this reference incorporated herein.

## SECTION II: PROJECT COSTS

The RTC agrees to provide Fuel Revenue Indexing Extension funding for all costs associated with the PROJECT as outlined below:

1. The total cost for this contract shall not exceed $6,000,000.00.

*The remainder of this page is left intentionally blank.*

2. Authorizations to Proceed (ATP) are granted as follows:

    a. ENGINEERING not to exceed $0.00
    b. RIGHT-OF-WAY not to exceed $0.00
    c. CONSTRUCTION not to exceed $6,000,000.00

3. At the time the ATP for construction is granted, the CITY will make all attempts to publish the bid for this PROJECT within 90 calendar days.

4. A supplemental interlocal contract will be required for any changes to the amounts identified in number 2 above.

## SECTION III: GENERAL

1. The title sheet of both the plans and specifications shall designate the RTC as the funding agency. If construction funds are provided by sources other than the RTC, the plans, contract documents, special provisions, and PROJECT signs shall also show the RTC as a funding agency.

2. Preliminary engineering, design and right-of-way engineering shall be performed by the CITY or by a consultant employed by the CITY.

3. The design, construction, right-of-way acquisition and contract administration of the PROJECT shall comply with the requirements as set forth in the current "Policies and Procedures" of the RTC.

4. The CITY's Department of Public Works has a policy which effectively prohibits utility cuts through the pavement for a period of five years after the completion of a PROJECT.

5. Upon completion of the construction of the PROJECT, it shall be maintained by the CITY and no funding is provided by this Contract for such maintenance.

6. The PROJECT must be completed to the satisfaction of the RTC prior to the current applicable completion date of December 31, 2025. The RTC may, at any time thereafter, grant time extensions or terminate this Contract and require all sums advanced to the CITY be repaid.

7. It is understood and agreed that the purpose of this Interlocal Contract is to fund the PROJECT as herein above set forth. It is further understood and agreed that the CITY is responsible for the design and construction of the PROJECT. The CITY will be responsible for the actions or inactions of its Officers and Employees. The RTC's sole responsibility is to facilitate funding for the PROJECT. The RTC disavows any responsibility for the actions or inactions of the CITY, its Officers, Employees, or agents.

8. Should the construction funds be provided by sources other than the RTC, the CITY will reimburse the RTC for a percentage of the preliminary engineering and design costs associated with other funding sources, as mutually agreed upon by the RTC and the CITY.

**IN WITNESS WHEREOF**, this Interlocal Contract #1182 is effective as of the date first set forth above.

Date of Commission Action:

May 21, 2020

REGIONAL TRANSPORTATION COMMISSION

BY: DocuSigned by: Lawrence L Brown III 9BD793A7A53847A...

LAWRENCE L. BROWN III, Chairman

Attest:

DocuSigned by: Marin DuBois 67F25985C7F8458...

MARIN DUBOIS, Management Analyst

Approved as to Form:

DocuSigned by: David Clyde C20A409B6B774C0...

RTC Legal Counsel

Date of Council Action:

CITY OF LAS VEGAS

BY: _____

CAROLYN G. GOODMAN, Mayor

Attest:

LUANN D. HOLMES, MMC
City Clerk

Approved as to Form:

John S. Ridilla
Deputy City Attorney

John S. Ridilla 6/8/2020

Deputy City Attorney Date

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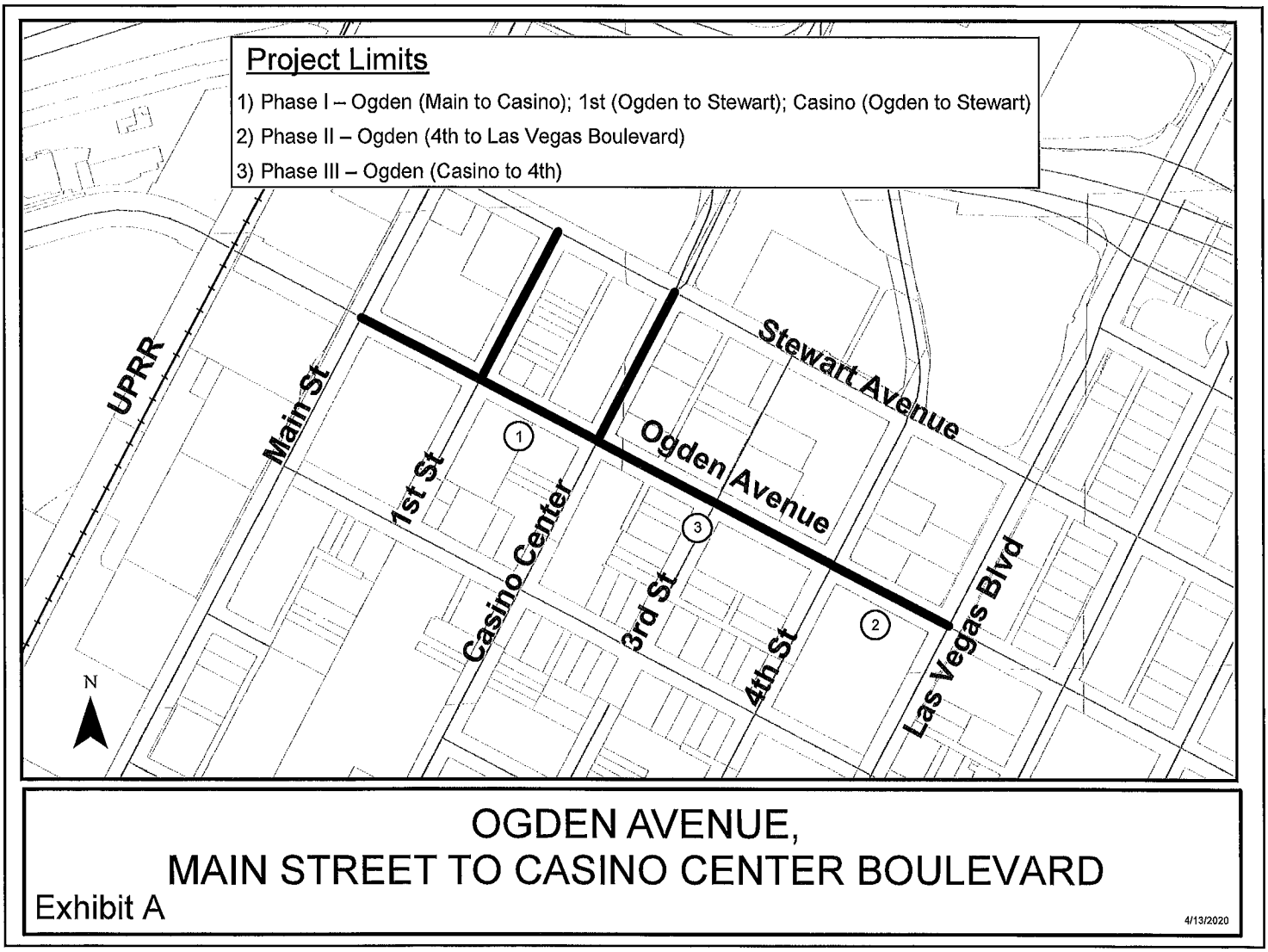


OGDEN AVENUE,
MAIN STREET TO CASINO CENTER BOULEVARD

Exhibit A

4/13/2020

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# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**23**

**DEPARTMENT: Public Works** **CONSENT**
**DIRECTOR: Mike Janssen**

**SUBJECT:**
For possible action to approve Interlocal Contract 1180 between the City of Las Vegas (CLV), County of Clark (County), and the Regional Transportation Commission of Southern Nevada (RTC) to provide funding for engineering for the Centennial Parkway, Alpine Ridge Way to Durango Drive Project ($2,250,000 - Road and Flood Capital Project Fund [CPF]) - Ward 6 (Fiore) and County

**FISCAL IMPACT:**
Budget Funds Available
Amount: $2,250,000
Funding Source: Road and Flood CPF
Dept./Division: Public Works/Transportation Engineering

**PURPOSE/BACKGROUND:**
The RTC approved Interlocal Contract 1180 to fund and coordinate the Centennial Parkway, Alpine Ridge Way to Durango Drive Project. The CLV intends to commence engineering design for improvements that will include constructing the missing roadway, curb, gutter, and streetlights on Centennial Parkway between Alpine Ridge Way and Durango Drive. The CLV will be the lead agency for the design and construction of the project. The County will be included in the design and construction of the project. Total funding for the project from Fuel Revenue Indexing Extension funds shall not exceed $2,250,000. The RTC approved this contract at their May 21, 2020 Board Meeting.

**RECOMMENDATION:**
Approval

**BACKUP DOCUMENTATION:**
1. Interlocal Contract 1180

DocuSign Envelope ID: 10B8C2B8-2879-4A1A-A92C-6F9E8D4A7343



# INTERLOCAL CONTRACT
# CENTENNIAL PARKWAY, ALPINE RIDGE WAY TO DURANGO DRIVE

**THIS INTERLOCAL CONTRACT** is made and entered into this 21ST day of May 2020, by and between the City of Las Vegas, a municipal corporation, hereinafter referred to as "LAS VEGAS," County of Clark, a political subdivision of the State of Nevada, hereinafter referred to as "COUNTY," and the Regional Transportation Commission of Southern Nevada, hereinafter referred to as "RTC."

## W I T N E S S E T H

**WHEREAS**, LAS VEGAS and COUNTY intend to improve Centennial Parkway, Alpine Ridge Way to Durango Drive, which is included on the adopted RTC Capital Improvement Plan, hereinafter referred to as "PROJECT," located partially within the City of Las Vegas and Clark County; and

**WHEREAS**, Nevada Revised Statue (NRS) Chapter 277.180 authorizes any one or more public agencies to contract with any one or more other public agencies to perform any governmental service, activity or undertaking which any of the public agencies entering into the agreement is authorized by law to perform and refers to such as an interlocal agreement; and

**WHEREAS**, LAS VEGAS agrees to conform to the current RTC Policies and Procedures, as amended and incorporated herein by reference; and

**WHEREAS**, LAS VEGAS will take the lead role for the design and construction of the PROJECT; and

**WHEREAS**, LAS VEGAS is requesting funds to commence the engineering for the PROJECT; and

**WHEREAS**, LAS VEGAS will coordinate with and include COUNTY during design and construction of the PROJECT; and

**NOW, THEREFORE**, in consideration of the covenants, conditions, agreements, and promises of the Parties hereto, the Parties agree to proceed as follows:

## SECTION I: SCOPE OF PROJECT

This Interlocal Contract #1180 applies to roadway improvements to Centennial Parkway from Alpine Ridge Way to Durango Drive. Improvements will include, but are not limited to, constructing the missing roadway, pavement, curb, gutter, sidewalk, Americans with Disability Act accessibility ramps, bicycle lanes, traffic signal upgrades, and any other appurtenant items necessary to complete the project. The Project is more specifically described in Exhibit "A" which is attached hereto and by this reference incorporated herein.

*The remainder of this page is left intentionally blank.*

## SECTION II: PROJECT COSTS

The RTC agrees to provide Fuel Revenue Indexing Extension funding for all costs associated with the PROJECT as outlined below:

1. The total cost for this contract shall not exceed $2,250,000.00.

2. Authorizations to Proceed (ATP) are granted as follows:

    a. ENGINEERING not to exceed $2,250,000.00
    b. RIGHT-OF-WAY not to exceed $0.00
    c. CONSTRUCTION not to exceed $0.00

3. At the time the ATP for construction is granted, the CITY will make all attempts to publish the bid for this PROJECT within 90 calendar days.

4. A supplemental interlocal contract will be required for any changes to the amounts identified in number 2 above.

## SECTION III: GENERAL

1. The title sheet of both the plans and specifications shall designate the RTC as the funding agency. If construction funds are provided by sources other than the RTC, the plans, contract documents, special provisions, and PROJECT signs shall also show the RTC as a funding agency.

2. Preliminary engineering, design and right-of-way engineering shall be performed by the CITY or by a consultant employed by the CITY.

3. The design, construction, right-of-way acquisition and contract administration of the PROJECT shall comply with the requirements as set forth in the current "Policies and Procedures" of the RTC.

4. The CITY's Department of Public Works has a policy which effectively prohibits utility cuts through the pavement for a period of five years after the completion of a PROJECT.

5. Upon completion of the construction of the PROJECT, it shall be maintained by the CITY and no funding is provided by this Contract for such maintenance.

6. The PROJECT must be completed to the satisfaction of the RTC prior to the current applicable completion date of June 30, 2025. The RTC may, at any time thereafter, grant time extensions or terminate this Contract and require all sums advanced to the CITY be repaid.

7. It is understood and agreed that the purpose of this Interlocal Contract is to fund the PROJECT as herein above set forth. It is further understood and agreed that the CITY is responsible for the design and construction of the PROJECT. The CITY will be responsible for the actions or inactions of its Officers and Employees. The RTC's sole responsibility is to facilitate funding for the PROJECT. The RTC disavows any responsibility for the actions or inactions of the CITY, its Officers, Employees, or agents.

8. Should the construction funds be provided by sources other than the RTC, the CITY will reimburse the RTC for a percentage of the preliminary engineering and design costs associated with other funding sources, as mutually agreed upon by the RTC and the CITY.

*The remainder of this page is left intentionally blank.*

**IN WITNESS WHEREOF**, this Interlocal Contract #1180 is effective as of the date first set forth above.

Date of Commission Action:

May 21, 2020

REGIONAL TRANSPORTATION COMMISSION

BY: DocuSigned by: Lawrence L Brown III 9BD793A7A53847A...

LAWRENCE L. BROWN III, Chairman

Attest:

DocuSigned by: Marin DuBois 67F25985C7E8458...

MARIN DUBOIS, Management Analyst

Approved as to Form:

DocuSigned by: David Clyde C20A409B6B774C0...

RTC Legal Counsel

Date of Council Action:

CITY OF LAS VEGAS

BY: _____

CAROLYN G. GOODMAN, Mayor

Attest:

LUANN D. HOLMES, MMC
City Clerk

Approved as to Form:

John S. Ridilla
Deputy City Attorney

John S. Ridilla 6/8/2020

Deputy City Attorney Date

Date of Commission Action: _____

CLARK COUNTY BOARD OF COMMISSIONERS

BY: _____

MARILYN KIRKPATRICK, Chair

Attest:

_____

LYNN MARIE GOYA, County Clerk

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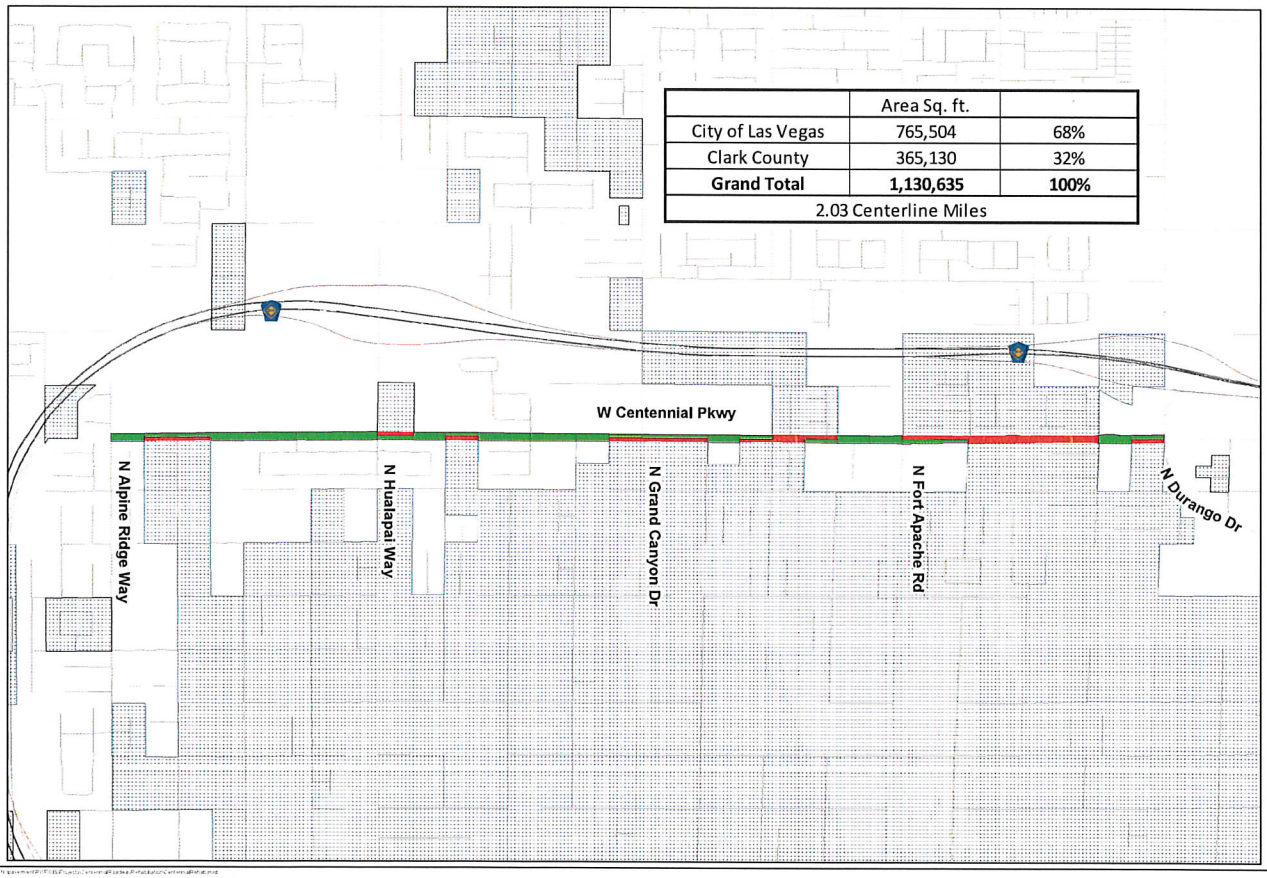
# Centennial Pkwy - Alpine Ridge Way to Durango Drive




| | Area Sq. ft. | |
|---|---|---|
| City of Las Vegas | 765,504 | 68% |
| Clark County | 365,130 | 32% |
| **Grand Total** | **1,130,635** | **100%** |
| 2.03 Centerline Miles | | |

Las Vegas
Clark County
City of Las Vegas
Clark County

## EXHIBIT A

CITY OF LAS VEGAS NEVADA

Date: 5/1/2019

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The City of Las Vegas makes no warranty, representation, or guarantee of any kind regarding either any maps or other information provided herein or the sources of such maps or other information. Although best efforts were made to ensure the accuracy of the data the City of Las Vegas assumes no liability either for any errors, omissions, or inaccuracies in the information provided regardless of the cause of such or for any decision made, action taken, or action not taken by the user in reliance upon any maps or information provided herein.

# *AGENDA SUMMARY PAGE*
**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**24**

**DEPARTMENT: Public Works** **CONSENT**
**DIRECTOR: Mike Janssen**

**SUBJECT:**
For possible action to approve Supplemental Interlocal Contract No. 1 - 1133a between the City of Las Vegas (CLV) and the Regional Transportation Commission of Southern Nevada (RTC) to increase project funding for the 6th Street, Bridger Avenue to Stewart Avenue Project ($30,000 - Road and Flood Capital Project Fund [CPF]) - Wards 3 and 5 (Diaz and Crear)

**FISCAL IMPACT:**
Budget Funds Available
Amount: $30,000
Funding Source: Road and Flood CPF
Dept./Division: Public Works/Transportation Engineering

**PURPOSE/BACKGROUND:**
The CLV entered into an interlocal contract with the RTC for construction of the 6th Street, Bridger Avenue to Stewart Avenue Project. This Supplemental Interlocal Contract No. 1 will increase engineering funds for the project to cover the CLV's internal labor. Total funding for the project from Fuel Revenue Indexing Extension funds shall not exceed $5,030,000. The RTC approved this contract at their May 21, 2020 Board Meeting.

**RECOMMENDATION:**
Approval

**BACKUP DOCUMENTATION:**
1. Supplemental Interlocal Contract No. 1 - 1133a

DocuSign Envelope ID: 10B8C2B8-2879-4A1A-A92C-6F9E8D4A7343



# SUPPLEMENTAL INTERLOCAL CONTRACT NO. 1
# 6TH STREET, BRIDGER AVENUE TO STEWART AVENUE

**THIS SUPPLEMENTAL INTERLOCAL CONTRACT NO. 1** is made and entered into this 21ST day of May 2020, by and between the City of Las Vegas, a municipal corporation, hereinafter referred to as "CITY" and the Regional Transportation Commission of Southern Nevada, hereinafter referred to as "RTC."

## W I T N E S S E T H

**WHEREAS**, the RTC approved Interlocal Contract #1133 dated October 10, 2019, for the 6th Street, Bridger Avenue to Stewart Avenue project, which is included on the adopted RTC Capital Improvement Plan, hereinafter referred to as "PROJECT," located wholly within the City of Las Vegas; and

**WHEREAS**, Nevada Revised Statue (NRS) Chapter 277.180 authorizes any one or more public agencies to contract with any one or more other public agencies to perform any governmental service, activity or undertaking which any of the public agencies entering into the agreement is authorized by law to perform and refers to such as an interlocal agreement; and

**WHEREAS**, the CITY agrees to conform to the current RTC Policies and Procedures, as amended and incorporated herein by reference; and

**WHEREAS**, the RTC previously granted "Authorization to Proceed" for construction for the PROJECT; and

**WHEREAS**, the CITY wishes to increase total PROJECT funding; and

**NOW, THEREFORE**, in consideration of the covenants, conditions, agreements, and promises of the Parties hereto, the Parties agree to proceed as follows:

## SECTION II: PROJECT COSTS; shall be revised to read as follows:

The RTC agrees to provide Fuel Revenue Indexing Extension funding for all costs associated with the PROJECT effective July 1, 2019, as outlined below:

1. The total cost for this contract shall not exceed $5,030,000.00.

2. Authorizations to Proceed (ATP) are granted as follows:

    a. ENGINEERING not to exceed $30,000.00
    b. RIGHT-OF-WAY not to exceed $0.00
    c. CONSTRUCTION not to exceed $5,000,000.00

3. At the time the ATP for construction is granted, the CITY will make all attempts to publish the bid for this PROJECT within 90 calendar days.

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4. A supplemental interlocal contract will be required for any changes to the amounts identified in number 2 above.

The remainder of Interlocal Contract #1133 dated October 10, 2019, shall remain unchanged.

*The remainder of this page is left intentionally blank.*

**IN WITNESS WHEREOF**, this Supplemental Interlocal Contract No. 1 is effective as of the date first set forth above.

Date of Commission Action:

May 21, 2020

REGIONAL TRANSPORTATION COMMISSION

BY: DocuSigned by: Lawrence L Brown III 9BD793A7A53847A...

LAWRENCE L. BROWN III, Chairman

Attest:

DocuSigned by: Marin DuBois 67F25985C7F8458...

MARIN DUBOIS, Management Analyst

Approved as to Form:

DocuSigned by: David Clyde C20A409B6B774C0...

RTC Legal Counsel

Date of Council Action:

CITY OF LAS VEGAS

BY: _____

CAROLYN G. GOODMAN, Mayor

Attest:

LUANN D. HOLMES, MMC
City Clerk

Approved as to Form:

John S. Ridilla
Deputy City Attorney

John S. Ridilla 6/8/2020

Deputy City Attorney Date

# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**25**

**DEPARTMENT: Public Works** **CONSENT**
**DIRECTOR: Mike Janssen**

**SUBJECT:**
For possible action to approve Interlocal Contract 1183 between the City of Las Vegas (CLV) and the Regional Transportation Commission of Southern Nevada (RTC) to provide funding for the Pedestrian Bridges, CC-215 Beltway Trail at Summerlin Parkway and Lake Mead Boulevard Project ($1,300,000 - Parks and Leisure Activity Capital Project Fund [CPF]) - Wards 2 and 4 (Seaman and Anthony)

**FISCAL IMPACT:**
Budget Funds Available
Amount: $1,300,000
Funding Source: Parks and Leisure Activity CPF
Dept./Division: Public Works/Transportation Engineering

**PURPOSE/BACKGROUND:**
The CLV has requested funding to commence engineering design for pedestrian bridges at the CC-215 Beltway and Summerlin Parkway and the CC-215 Beltway and Lake Mead Boulevard. The work shall include conceptual alternatives, bridge design, and final design. Improvements may include pedestrian/bicycle bridges, trail extensions, curb and gutter, sidewalk, intersection improvements, pedestrian and bicycle safety upgrades, and any other appurtenant items necessary to complete the project. Total funds for the project from Question 10 funds shall not exceed $1,300,000. The RTC approved this contract at their May 21, 2020 Board Meeting.

**RECOMMENDATION:**
Approval

**BACKUP DOCUMENTATION:**
1. Interlocal Contract 1183

DocuSign Envelope ID: 10B8C2B8-2879-4A1A-A92C-6F9E8D4A7343



# INTERLOCAL CONTRACT
# PEDESTRIAN BRIDGES: CC-215 BELTWAY TRAIL AT SUMMERLIN PARKWAY AND LAKE MEAD BOULEVARD

**THIS INTERLOCAL CONTRACT** is made and entered into this 21ST day of May 2020, by and between the City of Las Vegas, a municipal corporation, hereinafter referred to as "CITY" and the Regional Transportation Commission of Southern Nevada, hereinafter referred to as "RTC."

## W I T N E S S E T H

**WHEREAS**, the CITY intends to design improvements to Pedestrian Bridges: CC-215 Beltway Trail at Summerlin Parkway and Lake Mead Boulevard, which is included on the adopted RTC Capital Improvements Plan, hereinafter referred to as "PROJECT," located wholly within the City of Las Vegas; and

**WHEREAS**, Nevada Revised Statue (NRS) Chapter 277.180 authorizes any one or more public agencies to contract with any one or more other public agencies to perform any governmental service, activity or undertaking which any of the public agencies entering into the agreement is authorized by law to perform and refers to such as an interlocal agreement; and

**WHEREAS**, the CITY agrees to conform to the current RTC Policies and Procedures, as amended and incorporated herein by reference; and

**WHEREAS**, the CITY is requesting funds to commence engineering for the PROJECT; and

**NOW, THEREFORE**, in consideration of the covenants, conditions, agreements, and promises of the Parties hereto, the Parties agree to proceed as follows:

## SECTION I: SCOPE OF PROJECT

This Interlocal Contract #1183 applies to improvements associated with the design and construction of new pedestrian bridges at Summerlin Parkway and Lake Mead Boulevard along the CC-215 Beltway Trail, with the associated connections to the existing CC-215 Beltway Trail. Improvements include, but are not limited to, pedestrian/bicycle bridges with concrete decks, ramps, asphalt paving, fencing, curb, gutter, sidewalks, lighting, signage, and any other appurtenant items necessary to construct a complete and functional project. The Project is more specifically described in Exhibit "A" which is hereto and by this reference incorporated herein.

## SECTION II: PROJECT COSTS

The RTC agrees to provide Question 10 funding for all costs associated with the PROJECT as outlined below:

1. The total cost for this contract shall not exceed $1,300,000.00.

*The remainder of this page is left intentionally blank.*

2. Authorizations to Proceed (ATP) are granted as follows:

    a. ENGINEERING not to exceed $1,300,000.00
    b. RIGHT-OF-WAY not to exceed $0.00
    c. CONSTRUCTION not to exceed $0.00

3. At the time the ATP for construction is granted, the CITY will make all attempts to publish the bid for this PROJECT within 90 calendar days.

4. A supplemental interlocal contract will be required for any changes to the amounts identified in number 2 above.

## SECTION III: GENERAL

1. The title sheet of both the plans and specifications shall designate the RTC as the funding agency. If construction funds are provided by sources other than the RTC, the plans, contract documents, special provisions, and PROJECT signs shall also show the RTC as a funding agency.

2. Preliminary engineering, design and right-of-way engineering shall be performed by the CITY or by a consultant employed by the CITY.

3. The design, construction, right-of-way acquisition and contract administration of the PROJECT shall comply with the requirements as set forth in the current "Policies and Procedures" of the RTC.

4. The CITY's Department of Public Works has a policy which effectively prohibits utility cuts through the pavement for a period of five years after the completion of a PROJECT.

5. Upon completion of the construction of the PROJECT, it shall be maintained by the CITY and no funding is provided by this Contract for such maintenance.

6. The PROJECT must be completed to the satisfaction of the RTC prior to the current applicable completion date of December 31, 2025. The RTC may, at any time thereafter, grant time extensions or terminate this Contract and require all sums advanced to the CITY be repaid.

7. It is understood and agreed that the purpose of this Interlocal Contract is to fund the PROJECT as herein above set forth. It is further understood and agreed that the CITY is responsible for the design and construction of the PROJECT. The CITY will be responsible for the actions or inactions of its Officers and Employees. The RTC's sole responsibility is to facilitate funding for the PROJECT. The RTC disavows any responsibility for the actions or inactions of the CITY, its Officers, Employees, or agents.

8. Should the construction funds be provided by sources other than the RTC, the CITY will reimburse the RTC for a percentage of the preliminary engineering and design costs associated with other funding sources, as mutually agreed upon by the RTC and the CITY.

**IN WITNESS WHEREOF**, this Interlocal Contract #1183 is effective as of the date first set forth above.

Date of Commission Action:

May 21, 2020

REGIONAL TRANSPORTATION COMMISSION

BY: DocuSigned by: Lawrence L Brown III 9BD793A7A53847A...

LAWRENCE L. BROWN III, Chairman

Attest:

DocuSigned by: Marin DuBois 67F25985C7F8458...

MARIN DUBOIS, Management Analyst

Approved as to Form:

DocuSigned by: David Clyde C20A409B6B774C0...

RTC Legal Counsel

Date of Council Action:

CITY OF LAS VEGAS

BY: _____

CAROLYN G. GOODMAN, Mayor

Attest:

LUANN D. HOLMES, MMC
City Clerk

Approved as to Form:

John S. Ridilla
Deputy City Attorney

John S. Ridilla 6/8/2020

Deputy City Attorney Date

190C-Q10-1183: Pedestrian Bridges: CC-215 Beltway Trail at Summerlin Pkwy and Lake Mead Blvd

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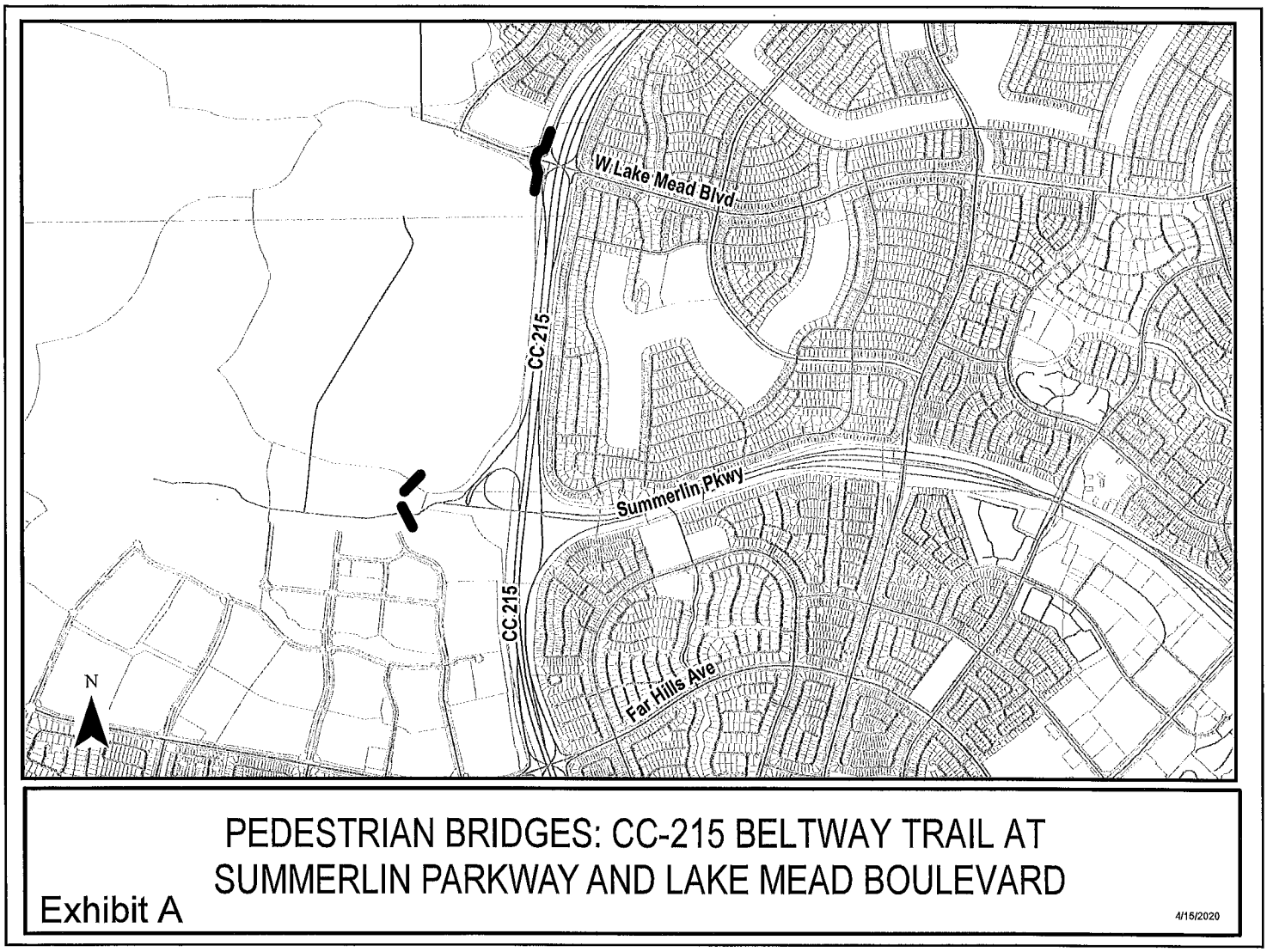


# PEDESTRIAN BRIDGES: CC-215 BELTWAY TRAIL AT SUMMERLIN PARKWAY AND LAKE MEAD BOULEVARD

Exhibit A

4/15/2020

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# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**26**

**DEPARTMENT: Public Works** **CONSENT**
**DIRECTOR: Mike Janssen**

**SUBJECT:**
For possible action to approve Interlocal Agreement No. 126120-A between the City of Las Vegas (CLV) and the Las Vegas Valley Water District (LVVWD) to replace a water pipeline and appurtenances for the construction of water facilities in the CLV Charleston Maryland Storm Drain Project - Ward 3 (Diaz)

**FISCAL IMPACT:**
None

**PURPOSE/BACKGROUND:**
The LVVWD desires to enter into an interlocal agreement with the CLV to construct and perform construction management for the construction of the water facilities within the CLV project limits; both parties have agreed that it is beneficial to include the water facilities with the construction phase of the CLV Charleston Boulevard from Maryland Parkway to Fremont Street to Atlantic Street Project. The LVVWD will provide full payment to the CLV for the construction cost in the amount of $5,419,210.50 no later than 30 days after award of the construction contract by the City Council. This interlocal agreement is being considered for approval concurrently by the LVVWD Board of Directors at their July 7 meeting.

**RECOMMENDATION:**
Approval

**BACKUP DOCUMENTATION:**
1. Interlocal Agreement No. 126120-A

**INTERLOCAL AGREEMENT**
**FOR THE CONSTRUCTION OF WATER FACILITIES FOR THE**
**CLV CHARLESTON/MARYLAND STORM DRAIN PROJECT**

This INTERLOCAL AGREEMENT, is made by and between the LAS VEGAS VALLEY WATER DISTRICT, a political subdivision of the State of Nevada (the "District"), and the CITY OF LAS VEGAS, a Nevada municipal corporation (the "City"). The City and the District are sometimes collectively referred to herein as the "Parties". The "Effective Date" is the date of the last signature on this Agreement.

**RECITALS**

WHEREAS, the Parties are authorized to enter into agreements pursuant to Nevada Revised Statutes Chapter 277.180;

WHEREAS, the District is engaged in the business of distributing potable water in the City of Las Vegas, Nevada, and portions of the County of Clark, Nevada;

WHEREAS, the City is designing and constructing a project known as "CLV Charleston/Maryland Storm Drain Project" (the "City Project") and said City Project contains the area of Charleston Boulevard from Maryland Parkway to Fremont Street to Atlantic Street as generally depicted on Exhibit "A";

WHEREAS, the District desires to replace and install new water pipelines and appurtenances in conjunction with the City Project (the "Water Facilities") and said Water Facilities are generally depicted on Exhibit "B";

WHEREAS, the City has incorporated the design of the Water Facilities into the City Project;

WHEREAS, the District desires the City as part of the City Project, to construct and perform construction management for the construction of the Water Facilities;

WHEREAS, the District and the City have agreed that it is beneficial to include the Water Facilities with the construction phase of the City Project; and

WHEREAS, the City is willing and able to perform the construction and construction management of the Water Facilities so long as the District pays for all costs and expenses associated with the construction and construction management of the Water Facilities.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants hereinafter contained, it is agreed as follows:

**ARTICLE I—COSTS**

1. The Estimated Water Facilities Costs is defined as the sum of the Estimated Water Facilities Construction Cost and the Estimated Water Facilities Construction Management Cost, each as further detailed herein. The "Estimated Water Facilities Construction Cost" is defined as the design professional's estimated cost of construction of the Water Facilities, inclusive of a ten percent (10%) construction contingency (the "Estimated District Construction Contingency"). The "Estimated Water Facilities Construction Management Cost" is defined as three percent (3%) of the Estimated Water Facilities Construction Cost. A summary of the Estimated Water Facilities Costs are attached hereto as Exhibit "C".

2. Within seven (7) calendar days of identification of the apparently low construction bid, the City shall transmit the construction bid tabulations for all bidders (the "Bid Tabulation") to the District, including identification of the apparent overall low bid contractor (the "Water Facilities Construction Cost"). The District acknowledges that the apparently low bid contractor for the City Project may not result in the lowest

cost to the District for the Water Facilities. Within fourteen (14) calendar days after receipt of the Bid Tabulation, the District shall provide written acceptance or rejection of the Water Facilities Construction Cost. If the District rejects the Water Facilities Construction Cost, the District shall provide a written explanation for said rejection that is consistent with Nevada law. If the District accepts the Water Facilities Construction Cost, and no later than thirty (30) calendar days after award of the construction contract by the Las Vegas City Council, the District shall pay the City the full amount of the Water Facilities Construction Cost and an additional ten percent (10%) of the Water Facilities Construction Cost for a construction contingency (the "District Construction Contingency") and an additional three percent (3%) of the Water Facilities Construction Cost for the Water Facilities Construction Management Cost. The District Construction Contingency amount may be used by the City, after consultation with the District, for any costs and expenses associated with the Water Facilities construction. Any City expenditure of the District Construction Contingency shall include an additional three percent (3%) for Water Facilities Construction Management Cost. If the City uses any of the District Construction Contingency and the District Construction Contingency is depleted to an amount less than two and one-half percent (2.5%) of Water Facilities Construction Cost, then the District shall within thirty (30) calendar days of receipt of notification from the City replenish the District Construction Contingency to the amount of ten percent (10%) of the Water Facilities Construction Cost. If the City needs monies from the District Construction Contingency amount and the District Construction Contingency amount is insufficient, the District will pay to the City the excess amount as documented by the City and the District must also replenish the District Construction Contingency amount to ten percent (10%) of the Water Facilities Construction Cost within thirty (30) calendar days of receipt of invoice by the City.

**ARTICLE II—DISTRICT AGREES**

1. The District shall, at its sole cost and expense, obtain any and all permits of any kind, including any Nevada Department of Environmental Protection permits, approvals, or clearances, required for the Water Facilities including those requested by the City acting in its regulatory capacity.

2. The District shall acquire, at the District's sole cost and expense, all the necessary property rights for the Water Facilities.

3. At no cost to the City, District shall provide inspection services on the City Project for the Water Facilities and to promptly report any construction deficiencies to the City's designated representative. When required due to the construction of the Water Facilities, the District shall have construction inspectors on-site while the Water Facilities work is being performed by the construction contractor.

4. The District will review, comment, and approve in writing Water Facilities requests for information ("RFIs"), manufacturer certifications, installation instructions, shop drawings, contractor submittals, and any substantial changes to the Water Facilities plans and specifications. The District's review and comment must be made in writing and within fourteen (14) calendar days of notice from the City of RFIs, manufacturer certifications, installation instruction, shop drawings, and contractor submittals. If the District does not respond within the fourteen (14) calendar days, the aforementioned shall be deemed approved by the District

5. If the District causes and/or requests additions and/or changes to the Water Facilities after award of the City Project and if the City determines the proposed District's additions and/or changes are acceptable, all costs including but not limited to the design, construction, and construction management costs associated therewith will be borne solely by the District. The Parties acknowledge that additional costs may require approve of the District's governing board.

6. The District will review, comment, and approve in writing Water Facilities change orders. The District's review and comment must be made in writing and within fourteen (14) calendar days of notice from the City of change orders. If the District does not respond within the fourteen (14) calendar days, the change order shall be deemed approved by the District. For those change orders that require District governing body approval, the District agrees to initiate the approval process within seven (7) calendar days of acceptance of the change order request by the District. If the District's governing body fails to approve additional funding as requested by the City, then the District is excused from its obligations pursuant to this Agreement as they relate to the Water Facilities and the District agrees it will pay the City all costs and expenses related to, arising out of, or attributed to any completed work related to the Water Facilities and any other costs and expenses associated with the termination of said work.

7. The City Project is being funded by the Clark County Regional Flood Control District ("CCRFCD") and Southern Nevada Regional Transportation Commission ("RTC") and CCRFCD and RTC will not provide any funding for the Water Facilities work, including without limitation, pre-payment of any construction costs on behalf of the District.

**ARTICLE III—CITY AGREES:**

1. City shall advertise and award the City Project including the Water Facilities in a manner consistent with Nevada Revised Statutes Chapter 338 requirements.

2. The City shall oversee the construction of the City Project including the Water Facilities in accordance with the plans as approved by the City and the District, and to cause the contractor to schedule District inspection for all Water Facilities work.

3. The City shall allow the District to observe, review and inspect the construction of the Water Facilities.

4. The City shall provide the District with copies of all City contractor pay applications involving the Water Facilities. The District shall provide a written response approving or rejecting, including an explanation for rejection that complies with Nevada Revised Statutes Chapter 338, the pay application within fourteen (14) calendar days. If the District does not respond within the fourteen (14) calendar days, the contractor's pay request shall be deemed approved by the City. Notwithstanding the above, the City may proceed to make payment to the City's contractor in the amount of the pay request if it's in the best interests of the City and/or the City Project and the City and District will work together to address the dispute.

5. The City shall enforce any warranties related to the defective construction of the Water Facilities. The District shall promptly notify the City of any construction defects during the warranty period (one (1) year after acceptance of the Water Facilities by the District). The City agrees if necessary to assign to the District, upon approval of separate agreement with the District, all or a portion of rights, interests, causes of action, claims, whenever they may arise, against the City's contractor and/or its surety, relating to or arising out of the construction of the Water Facilities including but not limited to workmanship, delays, construction, repairs and/or replacement.

6. The City shall provide to District at the City's sole cost and expense, final record drawings for the Water Facilities in 300 DPI Adobe Portable Document Format.

7. Within sixty (60) calendar days after the City's final payment to the Contractor, the City shall return to the District any funds advanced by the District for the Water Facilities which are unused and/or unencumbered and/or not needed for cost or expenses associated with, and/or arising out of, and/or related

to the Water Facilities, including but not limited to claims or actions arising out of and/or related to construction.

**ARTICLE IV—IT IS MUTUALLY AGREED:**

1. This Agreement shall not become effective until and unless approved by appropriate official action of the governing body of each Party.

2. The term of this Agreement shall be from the Effective Date until completion of construction of the Project (when the City has issued notice of final completion of the City Project), and the City Project including the Water Facilities have been closed out and City has received all payments from the District, unless this Agreement is terminated as provided herein.

3. The Parties shall exercise any rights to the extent either Party may have against any utility company or other party to require relocation of their utility facilities to facilitate construction of the City Project including the Water Facilities.

4. The Water Facilities installed under this Agreement shall be and remain the exclusive property of the District, and shall become a part of the District's general water distribution system after acceptance by the District. After the District's acceptance, the District shall be responsible for the maintenance of the said Water Facilities.

5. All notices required or permitted under this Agreement shall be given in writing and shall be deemed effectively given (a) upon personal delivery to the Party to be notified, (b) three (3) days after deposit with the United States Post Office, by registered or certified mail, postage prepaid and addressed to the Party to be notified at the address for such Party, or (c) one (1) day after deposit with a nationally recognized air courier service such as FedEx. Either Party hereto may change its address by giving fourteen (14) calendar days advance notice to the other Party as provided herein. Phone, emails and fax numbers, if listed, are for information only.

To District: Las Vegas Valley Water District
ATTN: Doa Meade, P.E., Director of Infrastructure Management
1001 South Valley View Boulevard
Las Vegas, Nevada 89153
Telephone: (702) 258-3976
Email: doa.meade@lvvwd.com

with copy to: Las Vegas Valley Water District
ATTN: Michael Dishari, P.E.
1001 South Valley View Boulevard
Las Vegas, Nevada 89153
Telephone: (702) 258-3186
Email: michael.dishari@lvvwd.com

with copy to: Las Vegas Valley Water District
ATTN: General Counsel
1001 South Valley View Boulevard, MS 480
Las Vegas, Nevada 89153
generalcounsel@lvvwd.com

To City: City of Las Vegas
ATTN: Mike Janssen, P.E., Director of Public Works
333 North Rancho Drive, Floor 9
Las Vegas, Nevada 89106
Telephone: (702) 229-6276

with copy to: City of Las Vegas
ATTN: Anita Marquez
333 North Rancho Drive, Floor 9
Las Vegas, Nevada 89106
Telephone: (702) 229-6264
Email: amaarquez@lasvegasnevada.gov

6. The Parties are associated with each other only for the purposes and to the extent set forth in this Agreement. Each Party is and shall be a public agency separate and distinct from the other Party and shall have the right to supervise, manage, operate, control, and direct performance of the details incident to its duties under this Agreement. Nothing contained in this Agreement shall be deemed or construed to create a partnership or joint venture, to create relationships of an employer-employee or principal-agent, or to otherwise create any liability for one agency whatsoever with respect to the indebtedness, liabilities, and obligations of the other agency or any other Party.

7. This Agreement shall not be deemed to be for the benefit of any entity or person who is not a party hereto, and neither this Agreement, nor any interest therein, may be assigned without the prior written consent of the non-assigning Party.

8. Each party warrants to the other that they have the authority and capacity to perform the provisions hereof.

9. Neither Party shall be deemed to be in violation of this Agreement if it is prevented from performing any of its obligations hereunder due to strikes, failure of public transportation, civil or military authority, act of public enemy, accidents, fires, explosions, or acts of God, including without limitations, earthquakes, floods, winds or storms. In such an event the intervening cause must not be through the fault of the Party asserting such an excuse, and the excused Party is obligated to promptly perform in accordance with the terms of the Agreement after the intervening cause ceases.

10. The City may at any time terminate this Agreement upon the giving of ten (10) calendar days written notice to the District if the City solely determines that (a) the Water Facilities plans are insufficient or (b) the District has not obtained all necessary property rights for the Water Facilities or (c) the District has not caused the utilities to be timely relocated or (d) the District fails to timely provide the monies required herein or (e) the District in any way breaches this Agreement. Prior to terminating this Agreement, the City shall provide a written notice of said default and provide the District a minimum thirty (30) calendar day cure period. The District agrees to pay all documented costs and expenses associated with, arising out of, or related to the termination of this Agreement pursuant to this Section.

The City may also terminate this Agreement upon receipt of thirty (30) calendar days written notice to the District if the City in its sole determination determines that there are not sufficient funds to continue with the construction of the Water Facilities or the Las Vegas City Council determines that the City Project is not in the best interest of the City.

Upon any termination by the City, the City shall return to the District within thirty (30) calendar days after termination any funds which are unused and/or unencumbered and/or not needed for cost or

expenses associated with, and/or arising out of, and/or related to the Water Facilities, including but not limited to claims or actions arising out of and/or related to construction.

11. The Parties do not waive and intend to assert available Nevada Revised Statutes Chapter 41 liability limitations in all cases. Agreement liability of both Parties shall not be subject to punitive damages.

12. Failure to declare a breach or the actual waiver of any particular breach of the Agreement or its material or nonmaterial terms by either Party shall not operate as a waiver by such Party of any of its rights or remedies as to any other breach.

13. The illegality or invalidity of any provision or portion of this Agreement shall not affect the validity of the remainder of the Agreement and this Agreement shall be construed as if such provision did not exist. The unenforceability of such provision shall not be held to render any other provision or provisions of this Agreement unenforceable.

14. This Agreement and the rights and obligations of the Parties hereto shall be governed by, and construed according to, the laws of the State of Nevada. The Parties consent to the exclusive jurisdiction of the Nevada state district courts for enforcement of this Agreement.

15. Each Party shall keep confidential all information, in whatever form, produced, prepared, observed or received by that Party to the extent that such information is confidential by law or otherwise required to be kept confidential by this Agreement and consistent with the provisions of Nevada Revised Statues Chapter 339 and the state of Nevada, Executive Department's Executive Order 2020-01.

16. This Agreement constitutes the entire agreement of the Parties and such is intended as a complete and exclusive statement of the promises, representations, negotiations, discussions, and other agreements that may have been made in connection with the subject matter hereof. Unless an integrated attachment to this Agreement specifically displays a mutual intent to amend a particular part of this Agreement, general conflicts in language between any such attachment and this Agreement shall be construed consistent with the terms of this Agreement. Unless otherwise expressly authorized by the terms of this Agreement, no modification or amendment to this Agreement shall be binding upon the Parties unless the same is in writing and signed by the respective Parties hereto.

17. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

18. The Parties to this Agreement, and each of them, acknowledge that: 1) this Agreement and its reduction in final written form are a result of good faith negotiations between the Parties to this Agreement through their respective attorneys; 2) the Parties to this Agreement and their attorneys have reviewed and examined this Agreement before execution by said Parties or any of them; and 3) the rule of construction that ambiguities are to be construed against the drafting Party will not be employed in the interpretation of this Agreement.

19. Notwithstanding any other provisions of this Agreement, the City is not obligated to construct the Water Facilities if the City elects not to construct the City Project, or any portion of the City Project, then the City is not obligated to construct the Water Facilities.

20. COUNTERPARTS; ELECTRONIC DELIVERY. This Agreement may be executed in counterparts, and all such counterparts will constitute the same contract and the signature of any party to any counterpart will be deemed a signature to, and may be appended to, any other counterpart. Executed copies hereof may be delivered by facsimile or e-mail, pursuant to NRS 719.240, and upon receipt will be deemed originals and binding upon the Parties hereto, regardless of whether originals are delivered thereafter.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date as defined herein.

**CITY OF LAS VEGAS**

By: _____
Carolyn G. Goodman, Mayor

Date of City Council Approval: _____

ATTEST:

By: _____
LuAnn D. Holmes, MMC, City Clerk

APPROVED AS TO FORM:

By: John S. Ridilla 6/10/2020
John S. Ridilla Date
Deputy City Attorney

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**INTERLOCAL AGREEMENT**
**FOR THE CONSTRUCTION OF WATER FACILITIES FOR THE**
**CLV CHARLESTON/MARYLAND STORM DRAIN**

Signature Page (continued)

**LAS VEGAS VALLEY WATER DISTRICT**

By: _____

Marilyn Kirkpatrick, President
Board of Directors

Date of Las Vegas Valley Water District Board Approval: _____

APPROVED AS TO FORM:

By: _____ 06/10/2020

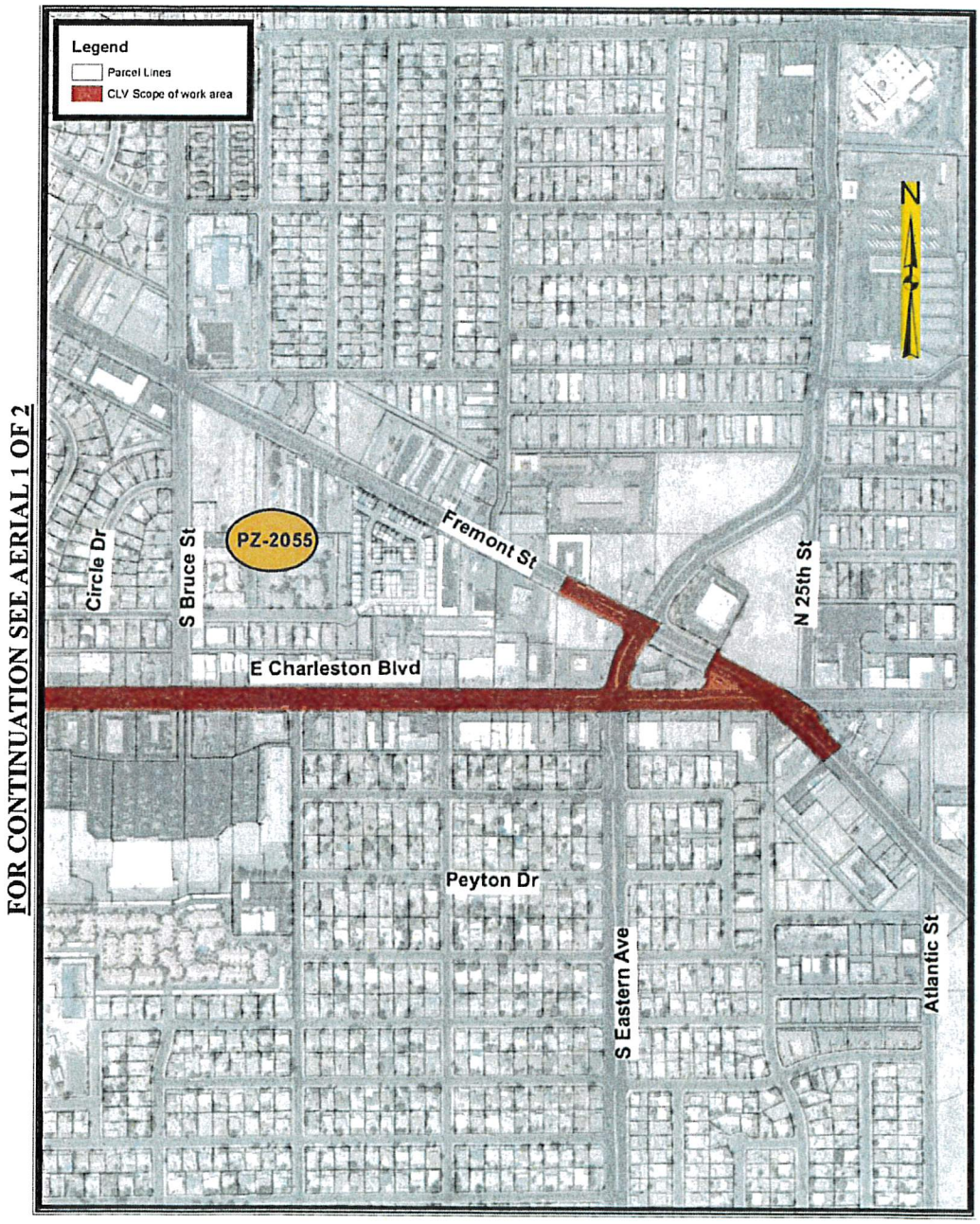
for Gregory J. Walch Date
General Counsel

**EXHIBIT A**
**CITY PROJECT AREA**
**CLV CHARLESTON/MARYLAND STORM DRAIN**
**(Aerial 1 of 2)**




FOR CONTINUATION SEE AERIAL 2 OF 2

**EXHIBIT A**
**CITY PROJECT AREA**
**CLV CHARLESTON/MARYLAND STORM DRAIN**
**(Aerial 2 of 2)**




FOR CONTINUATION SEE AERIAL 1 OF 2

**EXHIBIT B**
**WATER FACILITIES**
**CLV CHARLESTON/MARYLAND STORM DRAIN**
**(PROJECT 126120 - Work Area 1 of 2)**

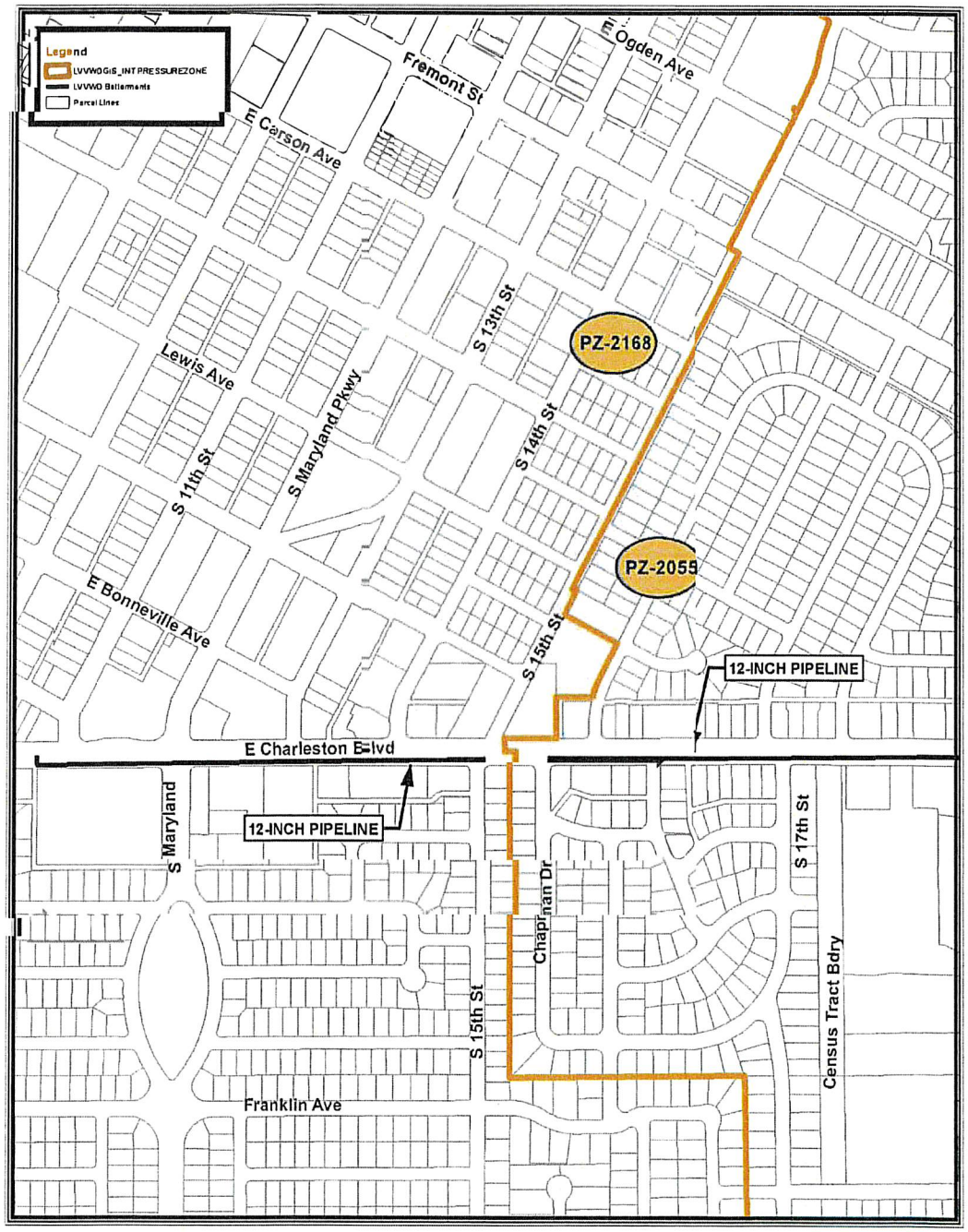


**EXHIBIT B**
**WATER FACILITIES**
**CLV CHARLESTON/MARYLAND STORM DRAIN**
**(PROJECT 126120 - Work Area 2 of 2)**

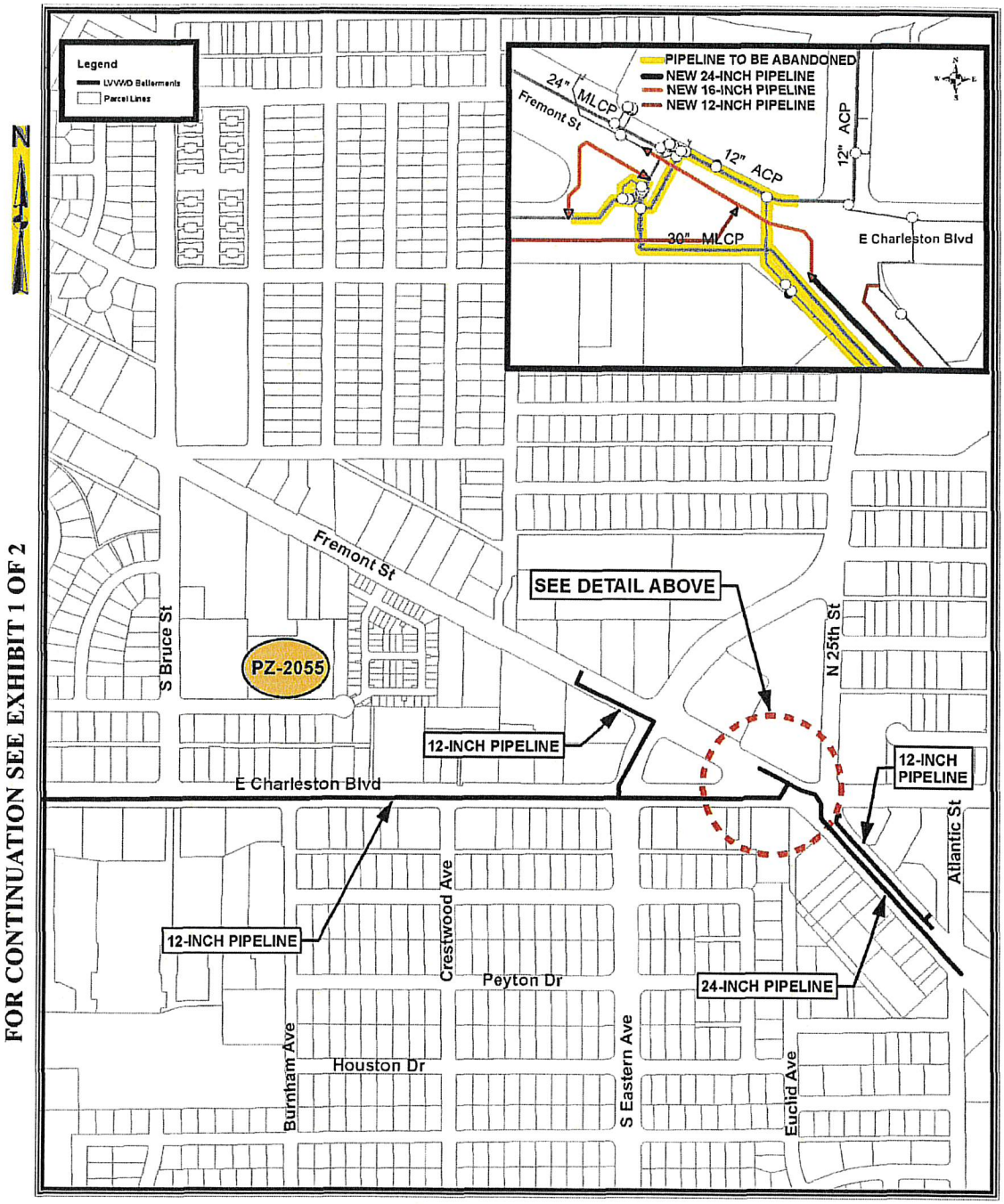


**EXHIBIT C**

**SUMMARY OF**
**ESTIMATED WATER FACILITIES COSTS**

**COST OF CONSTRUCTION:**

| | |
|---|---|
| Estimated Water Facilities Construction Cost | $4,795,761.50 |
| Construction Management of Water Facilities<br>*(Three Percent of Estimated Water Facilities Construction Cost)* | $143,872.85 |
| Cost of Construction Subtotal: | $4,939,634.35 |

**COST OF CONTINGENCY:**

| | |
|---|---|
| Water Facilities Contingency<br>*(Ten Percent of Estimated Water Facilities Construction Cost)* | $479,576.15 |
| Cost of Contingency Subtotal: | $479,576.15 |

**TOTAL AMOUNT:** $5,419,210.50

# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**27**

**DEPARTMENT: Public Works** **CONSENT**
**DIRECTOR: Mike Janssen**

**SUBJECT:**
For possible action to approve Interlocal Agreement No. 116627-A between the City of Las Vegas (CLV) and the Las Vegas Valley Water District (LVVWD) to replace a water pipeline and appurtenances for the construction of water facilities in the CLV Shadow Lane Improvements Project - Ward 1 (Knudsen)

**FISCAL IMPACT:**
None

**PURPOSE/BACKGROUND:**
The LVVWD desires to enter into an interlocal agreement with the CLV to construct and perform construction management for the construction of the water facilities within the CLV project limits; both parties have agreed that it is beneficial to include the water facilities with the construction phase of the CLV Shadow Lane from Charleston Boulevard to Alta Drive Project. The LVVWD will provide full payment to the CLV for the construction cost in the amount of $1,066,218 no later than 30 days after award of the construction contract by the City Council. This interlocal agreement is being considered for approval concurrently by the LVVWD Board of Directors at their July 7 meeting.

**RECOMMENDATION:**
Approval

**BACKUP DOCUMENTATION:**
1. Interlocal Agreement No. 116627-A

**INTERLOCAL AGREEMENT**
**FOR THE CONSTRUCTION OF WATER FACILITIES FOR**
**CLV SHADOW LANE IMPROVMENTS PROJECT**

This INTERLOCAL AGREEMENT, is made by and between the LAS VEGAS VALLEY WATER DISTRICT, a political subdivision of the State of Nevada (the "District"), and the CITY OF LAS VEGAS, a Nevada municipal corporation (the "City"). The City and the District are sometimes collectively referred to herein as the "Parties." The "Effective Date" is the date of the last signature on this Agreement.

**RECITALS**

WHEREAS, the Parties are authorized to enter into agreements pursuant to Nevada Revised Statutes Chapter 277.180;

WHEREAS, the District is engaged in the business of distributing potable water in the City of Las Vegas, Nevada, and portions of the County of Clark, Nevada;

WHEREAS, the City is designing and constructing a project known as "CLV Shadow Lane Improvements Project" (the "City Project") and said City Project contains the area of "Shadow Lane from Charleston Boulevard to Alta Drive" as generally depicted on Exhibit "A";

WHEREAS, the District desires to install a water pipeline and appurtenances in conjunction with the City Project (the "Water Facilities") and said Water Facilities are generally depicted on Exhibit "B";

WHEREAS, the City has incorporated the design of the Water Facilities into the City Project;

WHEREAS, the District desires the City as part of the City Project, to construct and perform construction management for the construction of the Water Facilities;

WHEREAS, the District and the City have agreed that it is beneficial to include the Water Facilities with the construction phase of the City Project; and

WHEREAS, the City is willing and able to perform the construction and construction management of the Water Facilities so long as the District pays for all costs and expenses associated with the construction management of the Water Facilities.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants hereinafter contained, it is agreed as follows:

**ARTICLE I - COSTS**

1. The Estimated Water Facilities Costs is defined as the sum of the Estimated Water Facilities Construction Cost and the Estimated Water Facilities Construction Management Cost, each as further detailed herein. The "Estimated Water Facilities Construction Cost" is defined as the design professional's estimated cost of construction of the Water Facilities, inclusive of a ten percent (10%) construction contingency (the "Estimated District Construction Contingency"). The "Estimated Water Facilities Construction Management Cost" is defined as five percent (5%) of the Estimated Water Facilities Construction Cost. A summary of the Estimated Water Facilities Costs attached hereto as Exhibit "C".

2. Within seven (7) calendar days of identification of the apparently low construction bid, the City shall transmit the construction bid tabulations for all bidders (the "Bid Tabulation") to the District, including identification of the apparent overall low bid contractor (the "Water Facilities Construction Cost"). The District acknowledges that the apparent low bid contractor for the City Project may not result in the lowest cost to the District for the Water Facilities. Within fourteen (14) calendar days after receipt of the Bid Tabulation, the District shall provide written acceptance or rejection of the Water Facilities Construction

Cost. If the District rejects the Water Facilities Construction Cost, the District shall provide a written explanation for said rejection that is consistent with Nevada law. If the District accepts the Water Facilities Construction Cost, and no later than thirty (30) days after award of the construction contract by the Las Vegas City Council, the District shall pay the City the full amount of the Water Facilities Construction Cost and an additional ten percent (10%) of the Water Facilities Construction Cost for a construction contingency (the "District Construction Contingency") and an additional five percent (5%) of the Water Facilities Construction Cost for the Water Facilities Construction Management Cost. The District Construction Contingency amount may be used by the City, after consultation with the District, for any costs and expenses associated with the Water Facilities construction. Any City expenditure of the District Construction Contingency shall include an additional five percent (5%) for Water Facilities Construction Management Cost. If the City uses any of the District Construction Contingency and the District Construction Contingency is depleted to an amount less than two and one-half percent (2.5%) of Water Facilities Construction Cost, then the District shall within thirty (30) calendar days of receipt of notification from the City replenish the District Construction Contingency to the amount of ten percent (10%) of the Water Facilities Construction Cost. If the City needs monies from the District Construction Contingency amount and the District Construction Contingency amount is insufficient, the District will pay to the City the excess amount as documented by the City and the District must also replenish the District Construction Contingency amount to ten percent (10%) of the Water Facilities Construction Cost within thirty (30) calendar days of receipt of invoice by the City.

## ARTICLE II - DISTRICT AGREES

1. The District shall, at its sole cost and expense, obtain any and all permits of any kind, including any Nevada Department of Environmental Protection permits, approvals, or clearances, required for the Water Facilities including those requested by the City acting in its regulatory capacity.

2. The District shall acquire, at the District's sole cost and expense, all the necessary property rights for the Water Facilities.

3. At no cost to the City, District shall provide inspection services on the City Project for the Water Facilities and to promptly report any construction deficiencies to the City's designated representative. When required due to the construction of the Water Facilities, the District shall have construction inspectors on-site while the Water Facilities work is being performed by the construction contractor.

4. The District will review, comment, and approve in writing Water Facilities requests for information ("RFIs"), manufacturer certifications, installation instructions, shop drawings, contractor submittals, and any substantial changes to the Water Facilities plans and specifications. The District's review and comment must be made in writing and within fourteen (14) calendar days of notice from the City of RFIs, manufacturer certifications, installation instruction, shop drawings, and contractor submittals. If the District does not respond within the fourteen (14) calendar days, the aforementioned shall be deemed approved by the District.

5. If the District causes and/or requests additions and/or changes to the Water Facilities after award of the City Project and if the City determines the proposed District's additions and/or changes are acceptable, all costs including but not limited to the design, construction, and construction management costs associated therewith will be borne solely by the District. The Parties acknowledge that additional costs may require approve of the District's governing board.

6. The District will review, comment, and approve in writing Water Facilities change orders. The District's review and comment must be made in writing and within fourteen (14) calendar days of notice from the City of change orders. If the District does not respond within the fourteen (14) calendar days, the change order shall be deemed approved by the District. For those change orders that require District

governing body approval, the District agrees to initiate the approval process within seven (7) calendar days of acceptance of the change order request by the District. If the District's governing body fails to approve additional funding as requested by the City, then the District is excused from its obligations pursuant to this Agreement as they relate to the Water Facilities and the District agrees it will pay the City all costs and expenses related to, arising out of, or attributed to any completed work related to the Water Facilities and any other costs and expenses associated with the termination of said work.

## ARTICLE III - CITY AGREES

1. City shall advertise and award the City Project including the Water Facilities in a manner consistent with Nevada Revised Statutes Chapter 338 requirements.

2. The City shall oversee the construction of the City Project including the Water Facilities in accordance with the plans as approved by the City and the District, and to cause the contractor to schedule District inspection for all Water Facilities work.

3. The City shall allow the District to observe, review, and inspect the construction of the Water Facilities.

4. The City shall provide the District with copies of all City contractor pay applications involving the Water Facilities. The District shall provide a written response approving or rejecting, including an explanation for rejection that complies with Nevada Revised Statutes Chapter 338, the pay application within fourteen (14) calendar days. If the District does not respond within the fourteen (14) calendar days, the contractor's pay request shall be deemed approved by the City. Notwithstanding the above, the City may proceed to make payment to the City's contractor in the amount of the pay request if it's in the best interests of the City and/or the City Project and the City and District will work together to address the dispute.

5. The City shall enforce any warranties related to the defective construction of the Water Facilities. The District shall promptly notify the City of any construction defects during the warranty period (one (1) year after acceptance of the Water Facilities by the District). The City agrees if necessary to assign to the District, upon approval of separate agreement with the District, all or a portion of rights, interests, causes of action, claims, whenever they may arise, against the City's contractor and/or its surety, relating to or arising out of the construction of the Water Facilities including but not limited to workmanship, delays, construction, repairs, and/or replacement.

6. The City shall provide to District, at the City's sole cost and expense, final record drawings for the Water Facilities in 300 DPI Adobe Portable Document Format.

7. Within sixty (60) days after the City's final payment to the Contractor, the City shall return to the District any funds advanced by the District for the Water Facilities which are unused and/or unencumbered and/or not needed for cost or expenses associated with, and/or arising out of, and/or related to the Water Facilities, including but not limited to claims or actions arising out of and/or related to construction.

## ARTICLE IV - IT IS MUTUALLY AGREED:

1. This Agreement shall not become effective until and unless approved by appropriate official action of the governing body of each Party.

2. The term of this Agreement shall be from the Effective Date until completion of construction of the Project (when the City has issued notice of final completion of the City Project), and the City Project including the Water Facilities have been closed out and City has received all payments from the District, unless this Agreement is terminated as provided herein.

3. The Parties shall exercise any rights that either Party may have against any utility company or other Party to require relocation of their utility facilities to facilitate construction of the City Project including the Water Facilities

4. The Water Facilities installed under this Agreement shall be and remain the exclusive property of the District, and shall become a part of the District's general water distribution system after acceptance by the District. After the District's acceptance, the District shall be responsible for the maintenance of the said Water Facilities.

5. All notices required or permitted under this Agreement shall be given in writing and shall be deemed effectively given (a) upon personal delivery to the Party to be notified, (b) three (3) days after deposit with the United States Post Office, by registered or certified mail, postage prepaid and addressed to the Party to be notified at the address for such Party, or (c) one (1) day after deposit with a nationally recognized air courier service such as FedEx. Either Party hereto may change its address by giving fourteen (14) calendar days advance notice to the other Party as provided herein. Phone, e-mail and fax numbers, if listed, are for information only.

To District: Las Vegas Valley Water District
ATTN: Doa Meade, P.E., Director of Infrastructure Management
1001 South Valley View Boulevard
Las Vegas, Nevada 89153
Telephone: (702) 258-3976
Email: doa.meade@lvvwd.com

with copy to: Las Vegas Valley Water District
ATTN: Michael Dishari, P.E.
1001 South Valley View Boulevard
Las Vegas, Nevada 89153
Telephone: (702) 258-3186
Email: michael.dishari@lvvwd.com

with copy to: Las Vegas Valley Water District
ATTN: General Counsel
1001 South Valley View Boulevard, MS 475
Las Vegas, Nevada 89153
Email: generalcounsel@lvvwd.com

To City: City of Las Vegas
ATTN: Mike Janssen, P.E., Director of Public Works
333 North Rancho Drive, Floor 9
Las Vegas, Nevada 89106
Telephone: (702) 229-6276

with copy to: City of Las Vegas
ATTN: Lorrie Linnert
333 North Rancho Drive, Floor 9
Las Vegas, Nevada 89106
Telephone: (702) 229-6738
Email: llinnert@lasvegasnevada.gov

6. The Parties are associated with each other only for the purposes and to the extent set forth in this Agreement. Each Party is and shall be a public agency separate and distinct from the other Party and shall have the right to supervise, manage, operate, control, and direct performance of the details incident to its duties under this Agreement. Nothing contained in this Agreement shall be deemed or construed to create a partnership or joint venture, to create relationships of an employer-employee or principal-agent, or to otherwise create any liability for one agency whatsoever with respect to the indebtedness, liabilities, and obligations of the other agency or any other party.

7. This Agreement shall not be deemed to be for the benefit of any entity or person who is not a party hereto, and neither this Agreement, nor any interest therein, may be assigned without the prior written consent of the non-assigning Party.

8. Each Party warrants to the other that they have the authority and capacity to perform the provisions hereof.

9. Neither Party shall be deemed to be in violation of this Agreement if it is prevented from performing any of its obligations hereunder due to strikes, failure of public transportation, civil or military authority, act of public enemy, accidents, fires, explosions, or acts of God, including without limitations, earthquakes, floods, winds or storms. In such an event the intervening cause must not be through the fault of the Party asserting such an excuse, and the excused Party is obligated to promptly perform in accordance with the terms of the Agreement after the intervening cause ceases.

10. The City may at any time terminate this Agreement upon the giving of ten (10) calendar days written notice to the District if the City solely determines that (a) the Water Facilities plans are insufficient or (b) the District has not obtained all necessary property rights for the Water Facilities or (c) the District has not caused the utilities to be timely relocated or (d) the District fails to timely provide the monies required herein or (e) the District in any way breaches this Agreement. Prior to terminating this Agreement, the City shall provide a written notice of said default and provide the District a minimum thirty (30) calendar day cure period. The District agrees to pay all documented costs and expenses associated with, arising out of, or related to the termination of this Agreement pursuant to this Section.

The City may also terminate this Agreement upon receipt of thirty (30) days written notice to the District if the City in its sole determination determines that there are not sufficient funds to continue with the construction of the Water Facilities or the Las Vegas City Council determines that the City Project is not in the best interest of the City.

Upon any termination by the City, the City shall return to the District within thirty (30) calendar days after termination any funds which are unused and/or unencumbered and/or not needed for cost or expenses associated with, and/or arising out of, and/or related to the Water Facilities, including but not limited to claims or actions arising out of and/or related to construction.

11. The Parties do not waive and intend to assert available Nevada Revised Statutes Chapter 41 liability limitations in all cases. Agreement liability of both Parties shall not be subject to punitive damages.

12. Failure to declare a breach or the actual waiver of any particular breach of the Agreement or its material or nonmaterial terms by either Party shall not operate as a waiver by such Party of any of its rights or remedies as to any other breach.

13. The illegality or invalidity of any provision or portion of this Agreement shall not affect the validity of the remainder of the Agreement and this Agreement shall be construed as if such provision did not exist. The unenforceability of such provision shall not be held to render any other provision or provisions of this Agreement unenforceable.

14. This Agreement and the rights and obligations of the Parties hereto shall be governed by, and construed according to, the laws of the State of Nevada. The Parties consent to the exclusive jurisdiction of the Nevada state district courts for enforcement of this Agreement.

15. Each Party shall keep confidential all information, in whatever form, produced, prepared, observed or received by that Party to the extent that such information is confidential by law or otherwise required to be kept confidential by this Agreement and consistent with the provisions of Nevada Revised Statues Chapter 339 and the state of Nevada, Executive Department's Executive Order 2020-01.

16. This Agreement constitutes the entire agreement of the Parties and such is intended as a complete and exclusive statement of the promises, representations, negotiations, discussions, and other agreements that may have been made in connection with the subject matter hereof. Unless an integrated attachment to this Agreement specifically displays a mutual intent to amend a particular part of this Agreement, general conflicts in language between any such attachment and this Agreement shall be construed consistent with the terms of this Agreement. Unless otherwise expressly authorized by the terms of this Agreement, no modification or amendment to this Agreement shall be binding upon the Parties unless the same is in writing and signed by the respective Parties hereto.

17. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

18. The Parties to this Agreement, and each of them, acknowledge that: 1) this Agreement and its reduction in final written form are a result of good faith negotiations between the Parties to this Agreement through their respective attorneys; 2) the Parties to this Agreement and their attorneys have reviewed and examined this Agreement before execution by said Parties or any of them; and 3) the rule of construction that ambiguities are to be construed against the drafting Party will not be employed in the interpretation of this Agreement.

19. Notwithstanding any other provisions of this Agreement, the City is not obligated to construct the Water Facilities if the City elects not to construct the City Project, or any portion of the City Project, then the City is not obligated to construct the Water Facilities.

[LEFT BLANK INTENTIONALLY AND SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the Parties have caused this Interlocal Agreement to be executed by their respective duly authorized representatives as of the day and year last entered below.

CITY OF LAS VEGAS

Carolyn G. Goodman, Mayor Date

ATTEST:

LuAnn D. Holmes, City Clerk Date

APPROVED AS TO FORM:

John S. Ridilla 6/8/2020

John S. Ridilla Date
Deputy City Attorney

LAS VEGAS VALLEY WATER DISTRICT

Marilyn Kirkpatrick, President Date
Board of Directors

APPROVED AS TO FORM:

Laura Ellen Browning

Digitally signed by Laura Ellen Browning
Date: 2020.06.02 11:45:33 -07'00'

Gregory J. Walch Date
General Counsel

**EXHIBIT A**
CITY PROJECT AREA

**CLV SHADOW LANE IMPROVEMENT PROJECT**

Aerial Project View

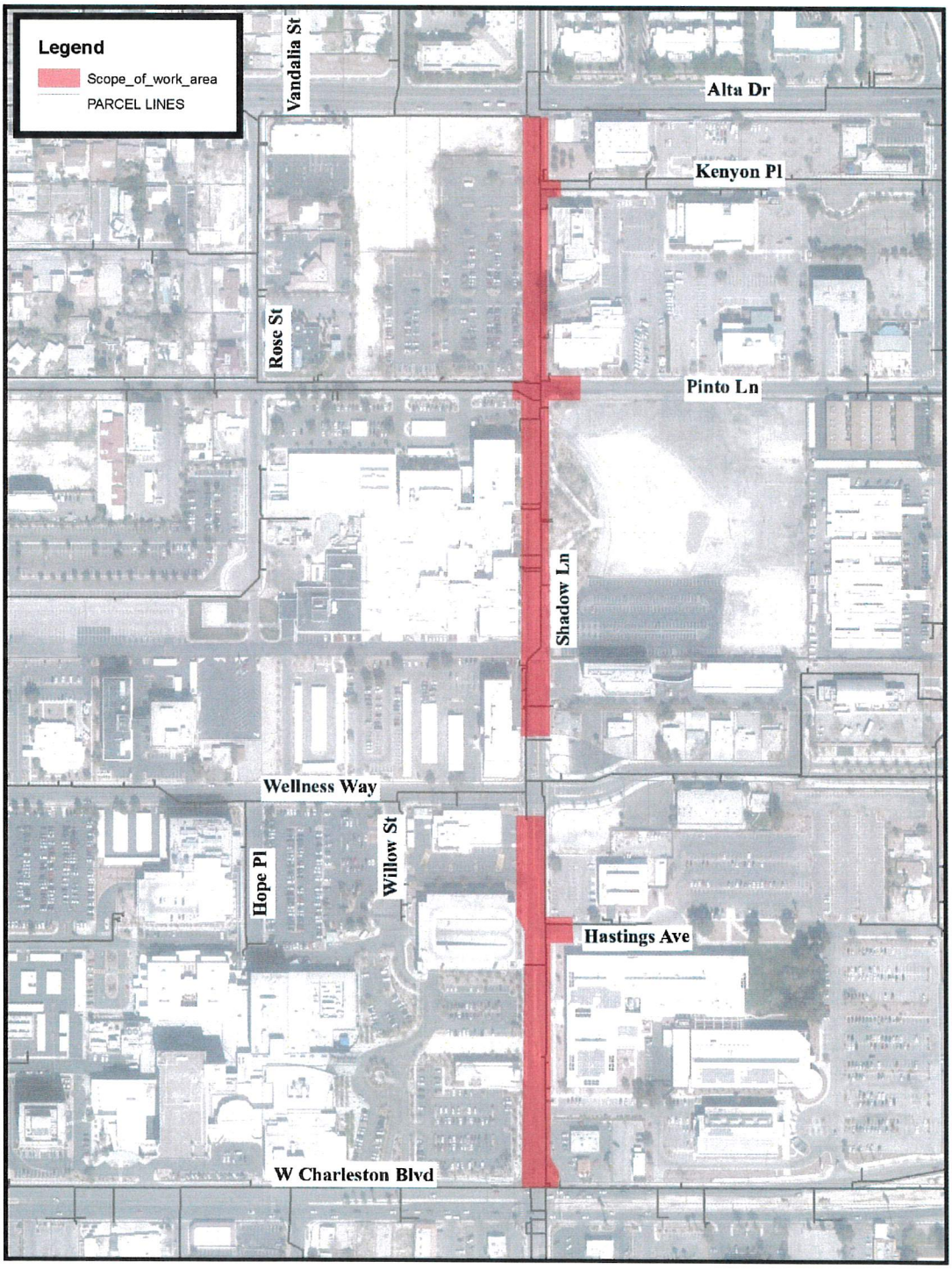


**EXHIBIT B**
WATER FACILITIES

**CLV SHADOW LANE IMPROVEMENT PROJECT**

Project Work Area

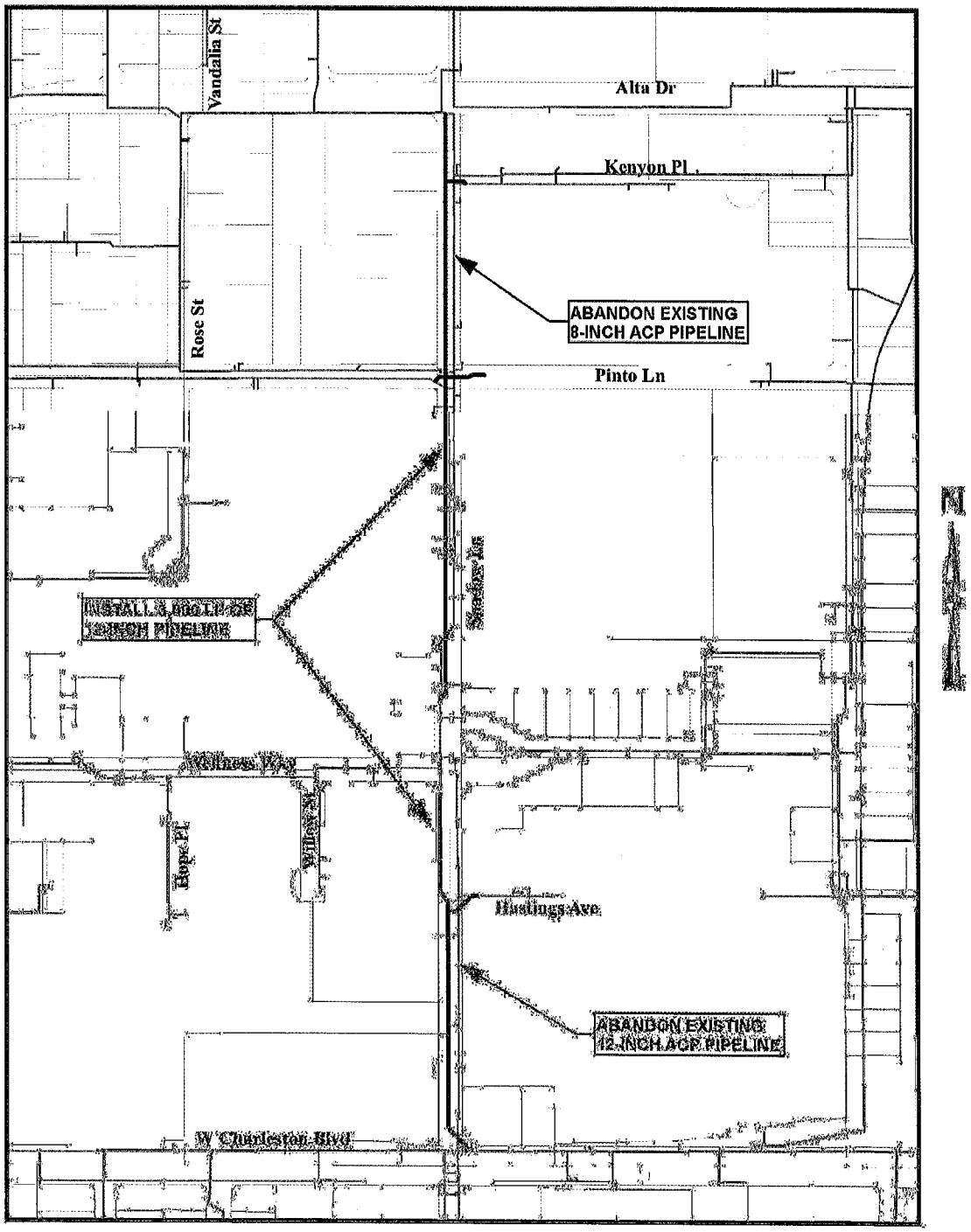


**EXHIBIT C**

SUMMARY OF
ESTIMATED WATER FACILITIES COSTS

**COST OF CONSTRUCTION:**

| | |
|---|---|
| Estimated Water Facilities Construction Cost | $927,146 |
| Construction Management of Water Facilities<br>*(Five Percent of Estimated Water Facilities Construction Cost)* | $46,357 |
| Cost of Construction Subtotal: | $973,503 |

**COST OF CONTINGENCY:**

| | |
|---|---|
| Water Facilities Contingency<br>*(Ten Percent of Estimated Water Facilities Construction Cost)* | $92,715 |
| Cost of Contingency Subtotal: | $92,715 |

**TOTAL AMOUNT:** $1,066,218

# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**28**

**DEPARTMENT: Public Works** **CONSENT**
**DIRECTOR: Mike Janssen**

**SUBJECT:**
For possible action to approve Interlocal Contract 1181 between the City of Las Vegas (CLV) and the Regional Transportation Commission of Southern Nevada (RTC) to provide funding for engineering for the Charleston Boulevard, Maryland Parkway to Boulder Highway Project ($705,000 - Road and Flood Capital Project Fund [CPF]) - Ward 3 (Diaz)

**FISCAL IMPACT:**
Budget Funds Available
Amount: $705,000
Funding Source: Road and Flood CPF
Dept./Division: Public Works/Transportation Engineering

**PURPOSE/BACKGROUND:**
The CLV has requested funding to commence engineering design for the Charleston Boulevard, Maryland Parkway to Boulder Highway Project, which will be constructed as a part of the Charleston-Maryland Storm Drain Improvements funded through the Clark County Regional Flood Control District. Improvements may include Americans with Disabilities Act path upgrades, new sidewalk ramps, concrete sidewalks, curb and gutter, asphalt pavement, and any other appurtenant items necessary to complete the project. Total funding for the project from Fuel Revenue Indexing Extension funds shall not exceed $705,000. The RTC approved this contract at their May 21, 2020 Board Meeting.

**RECOMMENDATION:**
Approval

**BACKUP DOCUMENTATION:**
1. Interlocal Contract 1181

DocuSign Envelope ID: 10B8C2B8-2879-4A1A-A92C-6F9E8D4A7343



# INTERLOCAL CONTRACT
# CHARLESTON BOULEVARD, MARYLAND PARKWAY TO BOULDER HIGHWAY

**THIS INTERLOCAL CONTRACT** is made and entered into this 21ST day of May 2020, by and between the City of Las Vegas, a municipal corporation, hereinafter referred to as "CITY" and the Regional Transportation Commission of Southern Nevada, hereinafter referred to as "RTC."

## W I T N E S S E T H

**WHEREAS**, the CITY intends to improve Charleston Boulevard, Maryland Parkway to Boulder Highway, which is included on the adopted RTC Capital Improvements Plan, hereinafter referred to as "PROJECT," located wholly within the City of Las Vegas; and

**WHEREAS**, Nevada Revised Statue (NRS) Chapter 277.180 authorizes any one or more public agencies to contract with any one or more other public agencies to perform any governmental service, activity or undertaking which any of the public agencies entering into the agreement is authorized by law to perform and refers to such as an interlocal agreement; and

**WHEREAS**, the CITY agrees to conform to the current RTC Policies and Procedures, as amended and incorporated herein by reference; and

**WHEREAS**, the CITY is requesting funds to commence engineering for the PROJECT; and

**NOW, THEREFORE**, in consideration of the covenants, conditions, agreements, and promises of the Parties hereto, the Parties agree to proceed as follows:

## SECTION I: SCOPE OF PROJECT

This Interlocal Contract #1181 applies to improvements associated with the design and construction of the Charleston Boulevard Improvements, Maryland Parkway to Boulder Highway. Improvements include Americans with Disability Act path upgrades, new sidewalk ramps, concrete sidewalks, curb and gutter, asphalt pavement, and any other appurtenant items necessary to complete the project. The Project is more specifically described in Exhibit "A" which is hereto and by this reference incorporated herein.

## SECTION II: PROJECT COSTS

The RTC agrees to provide Fuel Revenue Indexing Extension funding for all costs associated with the PROJECT as outlined below:

1. The total cost for this contract shall not exceed $705,000.00.

2. Authorizations to Proceed (ATP) are granted as follows:

    a. ENGINEERING not to exceed $705,000.00
    b. RIGHT-OF-WAY not to exceed $0.00
    c. CONSTRUCTION not to exceed $0.00

3. At the time the ATP for construction is granted, the CITY will make all attempts to publish the bid for this PROJECT within 90 calendar days.

4. A supplemental interlocal contract will be required for any changes to the amounts identified in number 2 above.

## SECTION III: GENERAL

1. The title sheet of both the plans and specifications shall designate the RTC as the funding agency. If construction funds are provided by sources other than the RTC, the plans, contract documents, special provisions, and PROJECT signs shall also show the RTC as a funding agency.

2. Preliminary engineering, design and right-of-way engineering shall be performed by the CITY or by a consultant employed by the CITY.

3. The design, construction, right-of-way acquisition and contract administration of the PROJECT shall comply with the requirements as set forth in the current "Policies and Procedures" of the RTC.

4. The CITY's Department of Public Works has a policy which effectively prohibits utility cuts through the pavement for a period of five years after the completion of a PROJECT.

5. Upon completion of the construction of the PROJECT, it shall be maintained by the CITY and no funding is provided by this Contract for such maintenance.

6. The PROJECT must be completed to the satisfaction of the RTC prior to the current applicable completion date of June 30, 2023. The RTC may, at any time thereafter, grant time extensions or terminate this Contract and require all sums advanced to the CITY be repaid.

7. It is understood and agreed that the purpose of this Interlocal Contract is to fund the PROJECT as herein above set forth. It is further understood and agreed that the CITY is responsible for the design and construction of the PROJECT. The CITY will be responsible for the actions or inactions of its Officers and Employees. The RTC's sole responsibility is to facilitate funding for the PROJECT. The RTC disavows any responsibility for the actions or inactions of the CITY, its Officers, Employees, or agents.

8. Should the construction funds be provided by sources other than the RTC, the CITY will reimburse the RTC for a percentage of the preliminary engineering and design costs associated with other funding sources, as mutually agreed upon by the RTC and the CITY.

*The remainder of this page is left intentionally blank.*

**IN WITNESS WHEREOF**, this Interlocal Contract #1181 is effective as of the date first set forth above.

Date of Commission Action:

May 21, 2020

REGIONAL TRANSPORTATION COMMISSION

BY: DocuSigned by: Lawrence L Brown III 9BD793A7A53847A...

LAWRENCE L. BROWN III, Chairman

Attest:

DocuSigned by: Marin DuBois 67F25985C7F8458...

MARIN DUBOIS, Management Analyst

Approved as to Form:

DocuSigned by: David Clyde C20A409B6B774C0...

RTC Legal Counsel

Date of Council Action:

CITY OF LAS VEGAS

BY: _____

CAROLYN G. GOODMAN, Mayor

Attest:

LUANN D. HOLMES, MMC
City Clerk

Approved as to Form:

John S. Ridilla
Deputy City Attorney

John S. Ridilla 6/8/2020

Deputy City Attorney Date

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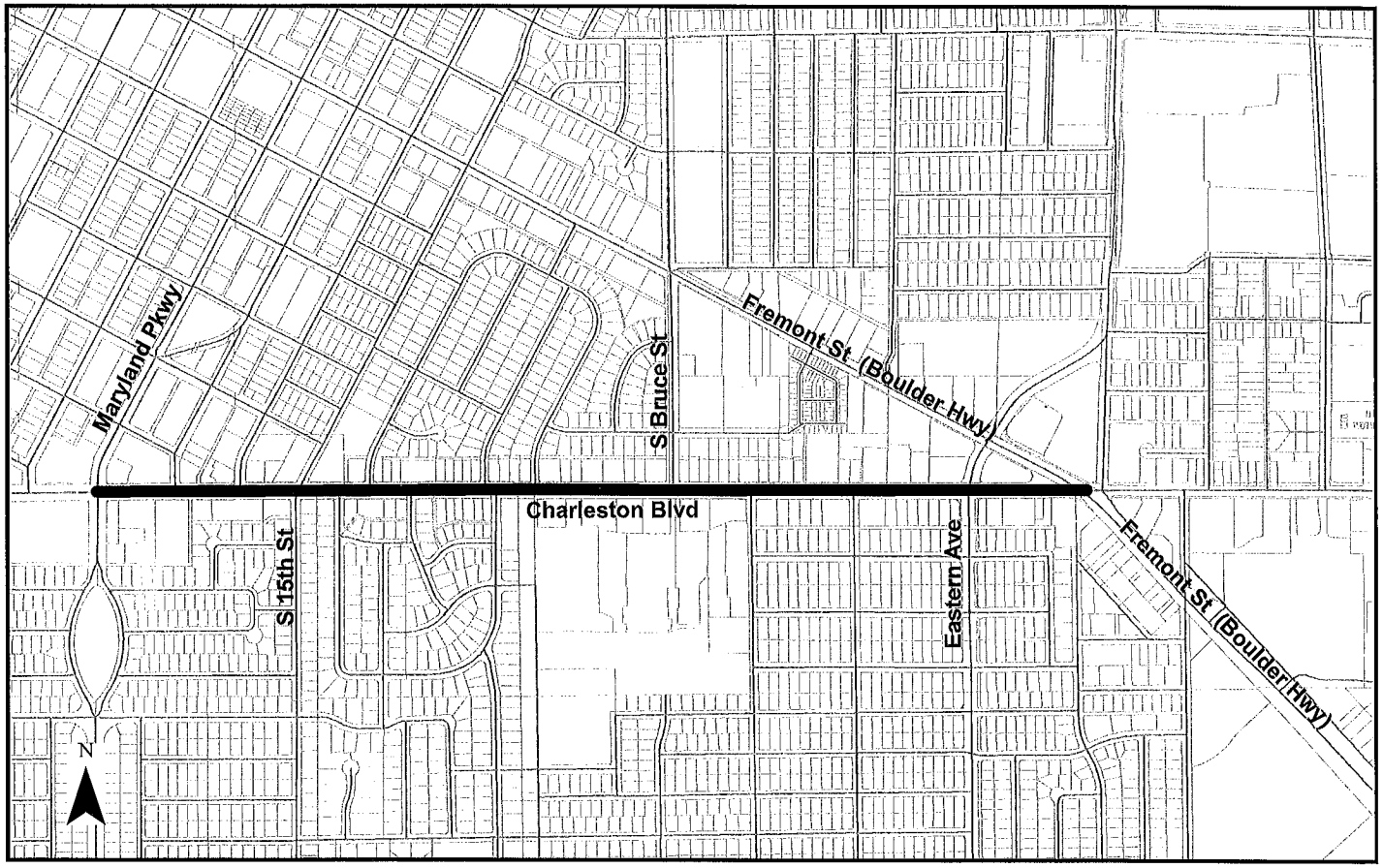



# CHARLESTON BOULEVARD, MARYLAND PARKWAY TO BOULDER HIGHWAY

EXHIBIT A

4/1/2020

N:\pavement\RWPGIS\Greg\Exhibit As\Charleston Blvd Maryland to Boulder Exhibit A.mxd

# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**29**

**DEPARTMENT: Public Works** **CONSENT**
**DIRECTOR: Mike Janssen**

**SUBJECT:**
For possible action to approve multi-agency Interlocal Contract 1187 between the City of Las Vegas (CLV), County of Clark (County), City of North Las Vegas (NLV), City of Henderson (Henderson) and the Regional Transportation Commission of Southern Nevada (RTC) to allow for network upgrades managed through the Freeway and Arterial Systems of Transportation (FAST) Department of RTC within agencies' jurisdictions - All Wards

**FISCAL IMPACT:**
None

**PURPOSE/BACKGROUND:**
This Interlocal Contract 1187 applies to the update of the FAST core network within agencies' jurisdictions. The RTC will fund the project from their Fuel Revenue Indexing Extension funds allocation, and as part of the network refresh, FAST will implement industry best practices and provide critical redundancy to the system. This effort will increase the capacity of the network, as well as the uptime of mission critical/core equipment. The RTC estimates project funds shall not exceed $2,000,000 as noted in the contract. The RTC approved this contract at their May 21, 2020 Board Meeting.

**RECOMMENDATION:**
Approval

**BACKUP DOCUMENTATION:**
1. Interlocal Contract No. 1187

DocuSign Envelope ID: 10B8C2B8-2879-4A1A-A92C-6F9E8D4A7343



# INTERLOCAL AGREEMENT
# FAST NETWORK UPGRADES

**THIS INTERLOCAL AGREEMENT** ("Agreement") #1187 is made and entered into this 21ST day of May 2020, by and among the County of Clark, a political subdivision of the State of Nevada; the City of Las Vegas, a municipal corporation; the City of North Las Vegas, a municipal corporation; and the City of Henderson, a municipal corporation, hereinafter referred to individually as "ENTITY" or collectively as "ENTITIES," and the Regional Transportation Commission of Southern Nevada, hereinafter referred to as "RTC". The RTC and the ENTITIES are hereinafter referred to individually as "PARTY" and collectively as "PARTIES".

## W I T N E S S E T H:

**WHEREAS**, the RTC intends to commence a project to update the Freeway and Arterial System of Transportation (FAST) existing network that is considered mission critical and is now at the end of its useful lifespan, hereinafter referred to as the "PROJECT."; and

**WHEREAS**, Nevada Revised Statute (NRS) 277.180 authorizes any one or more public agencies to contract with any one or more other public agencies to perform any governmental service, activity or undertaking which any of the public agencies entering into the agreement is authorized by law to perform and refers to such as an interlocal contract; and

**WHEREAS**, the RTC agrees to conform to the current RTC Policies and Procedures, as amended and incorporated herein by reference; and

**WHEREAS**, the ENTITIES are owners and operators of rights-of-way within their respective jurisdictions; and

**WHEREAS**, the RTC will take the lead role for the design of the PROJECT; and

**WHEREAS**, the RTC will coordinate with and include the ENTITIES; and

**WHEREAS**, the RTC is requesting engineering funds for the PROJECT; and

**NOW, THEREFORE**, in consideration of the premises of the mutual covenants herein contained, it is agreed as follows:

## SECTION I: SCOPE OF PROJECT

This Interlocal Contract #1187 applies to the update to the FAST core network. This mission critical network equipment is now at end of useful lifespan. As part of the network refresh, FAST will implement industry best practices and provide critical redundancy to the system. This effort will increase the capacity of the network, as well as the uptime of mission critical/core equipment.

## SECTION II: PROJECT COSTS

The RTC agrees to provide Fuel Revenue Indexing Extension funds for all costs associated with the PROJECT as outlined below:

1. The total cost for this contract shall not exceed $2,000,000.00.

2. Authorizations to Proceed (ATP) are granted as follows:

    a. ENGINEERING not to exceed $2,000,000.00
    b. RIGHT-OF-WAY not to exceed $0.00
    c. CONSTRUCTION not to exceed $0.00

3. At the time the ATP for construction is granted, the RTC will make all attempts to publish the bid for this PROJECT within 90 calendar days.

4. A supplemental interlocal contract will be required for any changes to the amounts identified in number 2 above.

## SECTION III: GENERAL

1. The title sheet of both the plans and specifications shall designate the RTC as the funding agency. If construction funds are provided by sources other than the RTC, the plans, contract documents, special provisions, and PROJECT signs shall also show the RTC as a funding agency.

2. Preliminary engineering, design and right-of-way engineering shall be performed by the RTC or by a consultant employed by the RTC.

3. The PROJECT must be completed to the satisfaction of the RTC prior to the current applicable completion date of December 31, 2025. The RTC may, at any time thereafter, grant time extensions or terminate this Contract and require all sums advanced to the RTC be repaid.

4. It is understood and agreed that the purpose of this Interlocal Contract is to fund the PROJECT as herein above set forth. It is further understood and agreed that the RTC is responsible for the design and construction of the PROJECT. The RTC will be responsible for the actions or inactions of its Officers and Employees.

5. Should the construction funds be provided by sources other than the RTC, the RTC will reimburse the funds for a percentage of the preliminary engineering and design costs associated with other funding sources, as mutually agreed upon by the ENTITIES.

*The remainder of this page is left intentionally blank.*

**IN WITNESS WHEREOF**, this Interlocal Contract #1187 is effective as of the date first set forth above.

Date of Commission Action:

May 21, 2020

REGIONAL TRANSPORTATION COMMISSION

BY: DocuSigned by: Lawrence L. Brown III 9BD793A7A53847A...

LAWRENCE L. BROWN, III, Chairman

Approved as to Form and Legality:

DocuSigned by: David Clyde C20A409B8B774C0...

RTC Legal Counsel

Attest:

DocuSigned by: Marin DuBois 67F25985C7E845B...

MARIN DUBOIS, Management Analyst

Date of Commission Action:

CLARK COUNTY BOARD OF COMMISSIONERS

BY:

MARILYN KIRKPATRICK, Chair

Approved as to Form and Legality:

Chief Deputy District Attorney

Attest:

LYNN MARIE GOYA, County Clerk

Date of Council Action:

CITY OF LAS VEGAS

BY:

CAROLYN G. GOODMAN, Mayor

Approved as to Form ~~and Legality~~

John S. Ridilla 6/8/2020

Deputy City Attorney

John S. Ridilla
Deputy City Attorney

Attest:

LUANN D. HOLMES, MMC, City Clerk

Date of Council Action:

CITY OF NORTH LAS VEGAS

_____ BY: _____

JOHN J. LEE, Mayor

Approved as to Form and Legality

Attest:

MICAELA RUSTIA MOORE
City Attorney

CATHERINE A. RAYNOR, MMC, City Clerk

Date of Council Action:

CITY OF HENDERSON

_____ BY: _____

RICHARD A. DERRICK
City Manager/CEO

Approved as to Finance:

Attest:

JIM MCINTOSH
Chief Financial Officer

SABRINA MERCADANTE, MMC
City Clerk

Approved as to Content:

Approved as to Form:

EDWARD MCGUIRE, P.E.
Director, Public Works

NICHOLAS G. VASKOV
City Attorney

# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**30**

**DEPARTMENT: Public Works** **CONSENT**
**DIRECTOR: Mike Janssen**

**SUBJECT:**
For possible action to approve Interlocal Contract LAS29F20 between the City of Las Vegas and the Clark County Regional Flood Control District (CCRFCD) for construction of the Flamingo - Boulder Highway North, Charleston - Boulder Hwy to Maryland Pkwy and Maryland Pkwy System ($41,028,829 - Road and Flood Capital Project Fund [CPF]) - Wards 3 and 5 (Diaz and Crear)

**FISCAL IMPACT:**
Budget Funds Available
Amount: $41,028,829
Funding Source: Road and Flood CPF
Dept./Division: Public Works/City Engineer

**PURPOSE/BACKGROUND:**
The Flamingo - Boulder Highway North, Charleston - Boulder Hwy to Maryland Pkwy and Maryland Parkway System is described in the 2018 Master Plan Update as Facility Number FLBN 0170, 0180, 0205, 0275, and 0280 and FLMP 0000, 0013, 0042, and 0068. It is further identified in the CCRFCD's Ten-Year Construction Program with construction scheduled to begin in FY 2021. The proposed improvements include construction of 18' x 8' RCB, 12' x 6' RCB, 9' x 8' RCB and associated collection facilities along Charleston Boulevard from Boulder Highway to Maryland Parkway and 12' x 5' RCB, 6' x 5' RCB and associated collection facilities along Maryland Parkway from Charleston Boulevard to Stewart Avenue. The CCRFCD approved this interlocal contract at their May 21, 2020 Board Meeting.

**RECOMMENDATION:**
Approval

**BACKUP DOCUMENTATION:**
1. Interlocal Contract LAS29F20

# INTERLOCAL CONTRACT
# FLAMINGO – BOUNDER HIGHWAY NORTH, CHARLESTON – BOULDER HWY TO MARYLAND PKWY AND MARYLAND PKWY SYSTEM

**THIS INTERLOCAL CONTRACT (CONTRACT)** made and entered into as of the 21st day of May, 2020 by and between the Clark County Regional Flood Control District, hereinafter referred to as "DISTRICT", and the City of Las Vegas hereinafter referred to as "CITY".

## W I T N E S S E T H

**WHEREAS**, pursuant to Chapter 543 of the Nevada Revised Statutes, the DISTRICT may approve a project to design and construct flood control improvements, and;

**WHEREAS**, the flood control improvements proposed herein are the same as those generally identified in the 2018 Master Plan Update as Facility Number FLBN 0170, 0180, 0205, 0275, and 0280 and FLMP 0000, 0013, 0042, and 0068, hereinafter referred to as "PROJECT"; and

**WHEREAS**, the PROJECT is identified and shown on the attached Exhibit "A"; and

**WHEREAS**, the PROJECT has been approved by the DISTRICT on its annual Ten Year Construction Program; and

**WHEREAS**, the PROJECT has regional flood control significance and is located in the same hydrographic area as the Las Vegas Valley.

**NOW, THEREFORE**, in consideration of the covenants, conditions, contracts, and promises of the parties hereto, the DISTRICT and the CITY agree to the following:

## SECTION I - SCOPE OF THE PROJECT

This INTERLOCAL CONTRACT applies to construction and construction management associated with the Flamingo – Boulder Highway North, Charleston- Boulder Hwy to Maryland Pkwy and Maryland Parkway System project. The basic improvements shall consist of flood water facilities including pipes, channels, dikes, energy dissipators, channel structures, channel access and other appurtenances as may be necessary to control floodwaters. The improvements shall be funded through DISTRICT funds as herein described. This PROJECT is further identified and shown on the attached Exhibit "A" which is by this reference is incorporated herein

## SECTION II - PROJECTS COSTS

The DISTRICT agrees to fund PROJECT costs within the limits specified below:

1. Construction Management at a cost not to exceed $1,752,160.

2. Construction at a cost not to exceed $37,989,656.

3. Entity Construction Labor Cost at a cost not to exceed $1,287,013.

4. The total cost of this CONTRACT shall not exceed $41,028,829 which includes all of the items described in the paragraphs above.

5. A written request must be made to the DISTRICT and approved by the Districts Board of Directors (Board) to reallocate funds between phases of the PROJECT. No other approval by the CITY is required.

6. A written request must be made to the DISTRICT and a Supplemental Interlocal Contract approved by the Board to increase the total cost of the CONTRACT noted above prior to payment of any additional funds.

## SECTION III - GENERAL

1. The Clark County Regional Flood Control District shall be shown on the title sheet of both the plans and specifications as the funding agency.

2. The CITY will use its best efforts to award the bid for this PROJECT by December 1, 2020. Prior to submission of the first payment request, the CITY will submit to the DISTRICT a construction schedule and cash flow projection. The CITY will take all reasonable steps possible to avoid delays in the construction of DISTRICT funded projects. PROJECT delays more than four months, as measured from the award date, may be subject to a formal review by both the Technical Advisory Committee and the Board. At the review, the CITY will have an opportunity to present information relative to the delays, measures taken to avoid the delays and the likelihood of those delays continuing. The Board will make a determination, in view of the delays and limited available funding, whether project funding should continue. In the case that the Board chooses to discontinue funding, the Board may cancel any Interlocal Contract(s) associated with the project and discontinue funding for the remainder of the PROJECT. Funding already spent or appropriated by the CITY will not be required to be refunded to the DISTRICT. PROJECT funding can be reconsidered at any time when the CITY can demonstrate that the project can proceed on an acceptable schedule.

3. The CITY will comply with the Local Purchasing Act, Chapter 332 and Public Works Projects, Chapter 338, of the Nevada Revised Statutes.

4. The CITY, its employees and representatives shall at all times comply with all applicable laws, ordinances, statutes, rules and regulations in effect at the time work is performed on the PROJECT.

5. The CITY will require appropriate financial security for the construction of the PROJECT.

6. The CITY shall provide all impacted entities and the DISTRICT with the opportunity to provide the CITY with input relative to the following processes: scope of services development; consultant selection; design, construction and maintenance review; and monitoring of the effectiveness and impacts of facilities on flood flows.

7. Applicable portions of the current editions of the Policies and Procedures, the Hydrologic Criteria and Drainage Design Manual and the Uniform Regulations for the Control of Drainage adopted by the DISTRICT will apply in developing this PROJECT unless specifically superseded by this CONTRACT.

8. Purchases of right-of-way in excess of that actually needed for construction will not be allowed unless a comparison between the cost of excess acquisition and needed acquisition, including damages, indicates that benefits from such a transaction would result. Title to residual property will be vested in the name of the CITY. Revenues derived from the sale of these properties, less the cost of the sale of these properties, will be forwarded to the DISTRICT.

9. Administrative settlements and acceptance of counter offers involving right-of-way may only be made following a review and approval by the DISTRICT.

10. The DISTRICT will pay the CITY, or make payment directly to its contractor or its consultant, each month for PROJECT costs as outlined in SECTION II – PROJECT COSTS. Invoices must identify and allocate all costs to the categories noted below:

    a. Predesign Engineering
    b. Design Engineering
    c. Entity Design Labor Costs
    d. Right-of-way
    e. Environmental
    f. Emergency Action Plan
    g. Flood Map Revision
    h. Construction
    i. Construction Management

j. Entity Construction Management Labor Costs
k. Landscape Construction
l. Other

11. Accurate documentation of all work performed and payments made will be maintained by the CITY for a period of three (3) years in hard copy form after final PROJECT approval and payment. Following the three-year period, the CITY shall keep records for permanent storage in original form, in microfilm/fiche media or an electronic format.

12. The DISTRICT reserves the right to review and/or audit all records pertaining to all projects both during and after PROJECT completion.

13. Up to the limits set forth in NRS Chapter 41, the CITY will indemnify and defend the DISTRICT against and from any and all claims and demands of whatsoever nature which arises out of allegations of negligence or misconduct of CITY officers, employees or agents, related to or under this CONTRACT which results from injury to or death of any persons whomsoever, or against and from damage to or loss or destruction of property.

14. Any costs found to be improperly allocated to this PROJECT will be refunded by the CITY to the DISTRICT.

15. The items covered in SECTION II - PROJECT COSTS must be completed to the satisfaction of the DISTRICT prior to January 31, 2023. The DISTRICT may, at any time thereafter, grant extensions or terminate this CONTRACT after thirty (30) days notice.

16. This Contract may be executed in multiple counterparts, each of which shall be deemed an original Contract and each of which shall constitute one and the same Contract. The counterparts of this Contract may be executed and delivered by facsimile or other electronic signature (including portable document format) by either of the parties and the receiving party may rely on the receipt of such document so executed and delivered electronically or by facsimile as if the original had been received.

///

///

///

**IN WITNESS WHEREOF**, the Parties have caused this Interlocal Contract to be executed by their duly authorized representatives the day and year first above written.

Date of Council Action

_____

City of Las Vegas

By: _____
Carolyn G. Goodman, Mayor

Attest

By: _____
LuAnn Holmes, MMC
City Clerk

Approved as to Form

By: John S. Ridilla 6/9/2020
Deputy City Attorney Date

John S. Ridilla
Deputy City Attorney

Date of District Action

May 21, 2020

Regional Flood Control District

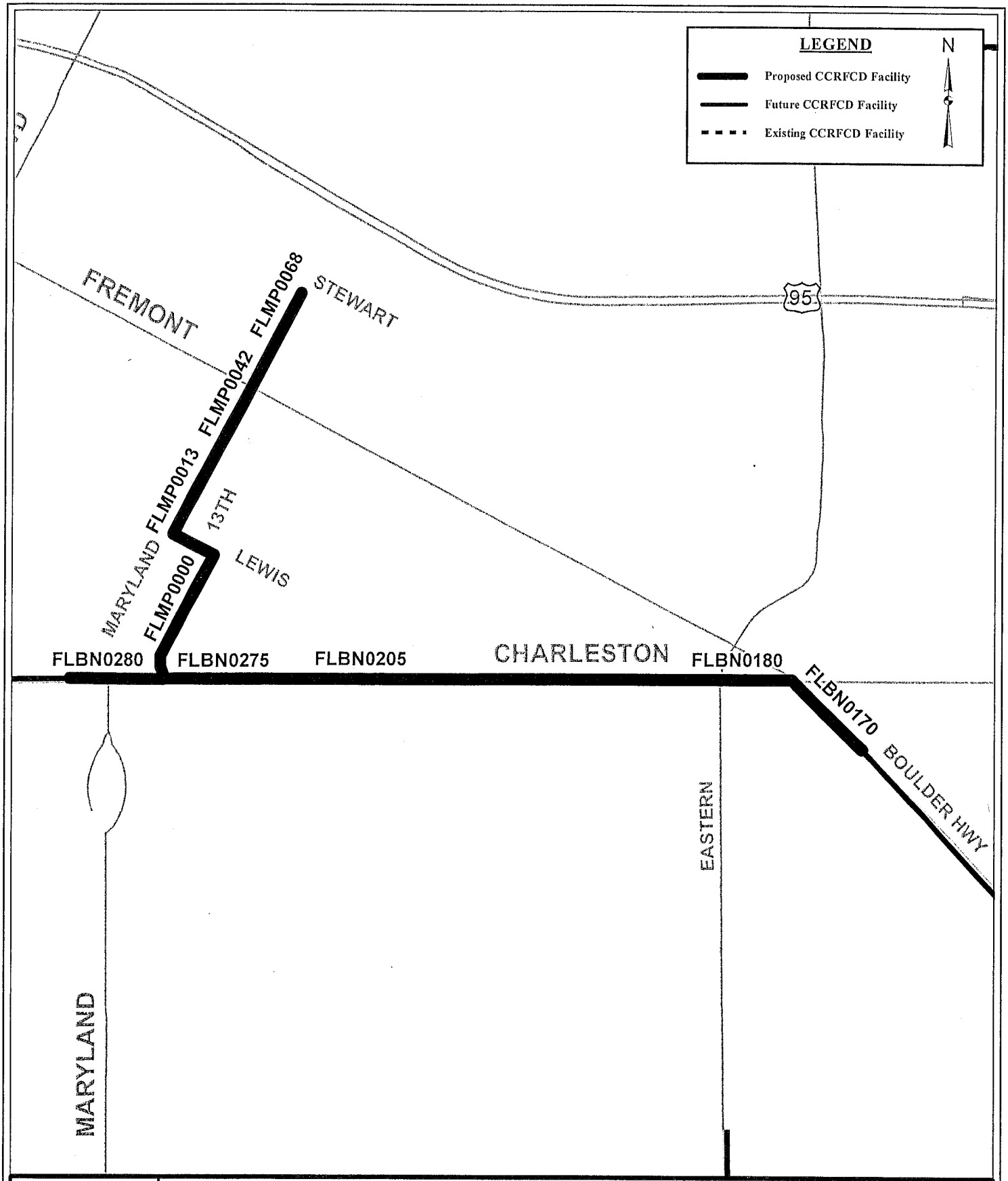
By: Lawrence L Brown III
LAWRENCE L. BROWN, III,
Chair

Attest

By: Deanna Hughes
Deanna Hughes
Secretary to the Board

Approved as to Form

By: 6/21/2020
Christopher Figgins Date
Chief Deputy District Attorney




Public Works
Flood Control Planning

# EXHIBIT A
# FLAMINGO - BOULDER HWY NORTH, CHARLESTON - BOULDER HWY TO MARYLAND PARKWAY SYSTEM
## (LAS29F20)

SCALE: 1:13,000
DRAWING NAME: Flamingo_BoulderHwyNorth_Charleston_MainSt-MarylandPky-EAST
DRAWN BY: C. JONES
DATE: 04/22/2020
SHEET NUMBER 1 OF 1



Document Path: N:\EXHIBIT_PROJECTS\RFCD\Flamingo_BoulderHwyNorth_Charleston_MainSt-MarylandPky-EAST.mxd

Due to continuous development activity, this map is for reference only.

# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**31**

**DEPARTMENT: Economic & Urban Development** **DISCUSSION**
**DIRECTOR: Bill Arent**

**SUBJECT:**
Discussion for possible action regarding authorization to purchase and/or condemn the property located at 513 South Main Street (APN 139-34-210-016) for the Downtown Central Plaza Project ($2,105,751- City Parkway V) - Ward 3 (Diaz)

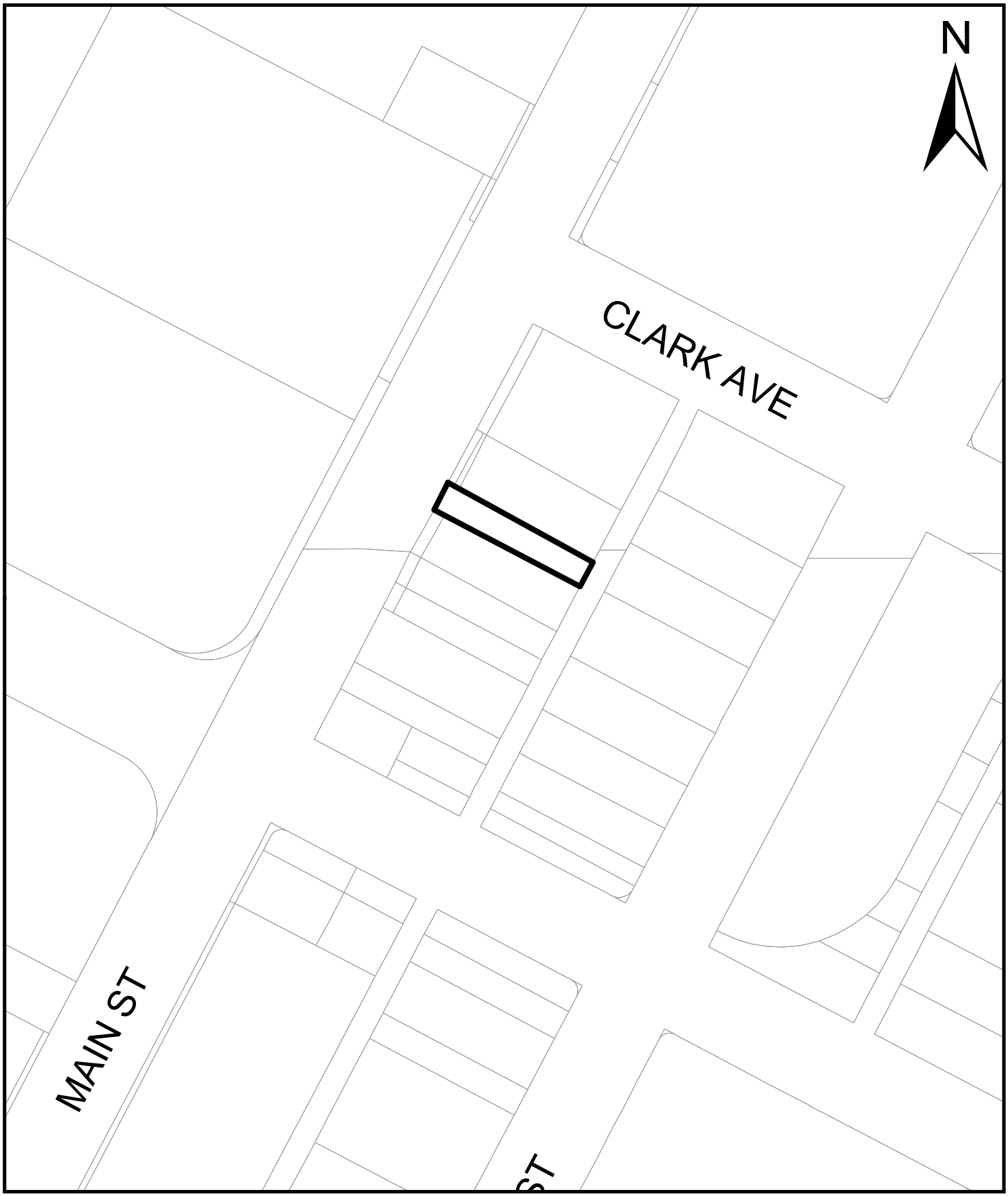
**FISCAL IMPACT:**
Budget Funds Available
Amount: $2,105,751
Funding Source: City Parkway V
Dept./Division: EUD

**PURPOSE/BACKGROUND:**
City Parkway V Inc. has acquired all parcels immediately south of Las Vegas City Hall bounded by East Clark Avenue, South Main Street, East Bonneville Avenue and South 1st Street except the subject parcel. The parcel is needed for the development of the Downtown Central Plaza Project. Condemnation proceedings are needed at this time so as not to compromise the timeline of this project.

**RECOMMENDATION:**
Approval

**BACKUP DOCUMENTATION:**
1. Site Map
2. Downtown Central Plaza Rendering

**Site Map**




**LEGEND**

Subject Parcel

OWNER: C VERAPAPPA WW LLC
PARCEL NO: 139-34-210-016
SECTION, TOWNSHIP, RANGE: SECTION 34, T. 20 S., R 61 E.
AREA OF SUBJECT PARCEL(S): 0.08 +- ac

CITY OF LAS VEGAS NEVADA

Date: 6/9/2020

Downtown Central Plaza Rendering





# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 22, 2020**

Agenda Item No.:
**32**

**DEPARTMENT: City Clerk** **DISCUSSION**
**DIRECTOR: LuAnn Holmes**

**SUBJECT:**
BOARDS & COMMISSIONS:

Discussion for possible action to elect Councilman Stavros Anthony to serve as the Mayor Pro-Tem

**FISCAL IMPACT:**
None

**PURPOSE/BACKGROUND:**
Councilwoman Michele Fiore was appointed as Mayor Pro-Tem on July 3, 2019 and she recently notified the Mayor that she is giving up the seat to work on other projects.

**RECOMMENDATION:**
None

**BACKUP DOCUMENTATION:**
None

# *AGENDA SUMMARY PAGE*
**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**33**

**DEPARTMENT: City Clerk** **DISCUSSION**
**DIRECTOR: LuAnn Holmes**

**SUBJECT:**
BOARDS & COMMISSIONS:

Discussion for possible action regarding new appointments of Mayor Carolyn Goodman and Councilmembers Brian Knudsen and Olivia Diaz as representatives on the following boards: Las Vegas Springs Preserve Board of Trustees (Knudsen); Las Vegas Global Economic Alliance (Goodman) and the Southern Nevada Regional Planning Coalition (Diaz)

**FISCAL IMPACT:**
None

**PURPOSE/BACKGROUND:**
Not all seats intended for City of Las Vegas representation required adjustment at this time as some seats are held through an election cycle, “until replaced” and some seats without member changes have future term expiration dates. Because of this, the subject does not represent all seats the Mayor and Council occupy on outside boards and the backup should be referenced for that additional information.

**RECOMMENDATION:**
Approval

**BACKUP DOCUMENTATION:**
1. City Council Appointments Listing - Proposed Draft

# CITY COUNCIL APPOINTMENTS – PROPOSED DRAFT

| BOARD NAME | APPT(S) | TERM | CURRENT REPRESENTATION | ORIGINAL APPT. DATE | EXPIRATION/NOTES |
|---|---|---|---|---|---|
| Chief Local Elected Officials Consortium (Formerly Nevada Business Services [NBS] Job Training Board) | 1 | Until replaced | Councilwoman O. Diaz | 7-17-2019 | |
| CLV Audit Oversight Committee (These board appointments may not fall during the Election " cycle appointment process for Council members) | 2 | 2 yrs. Must fill unexpired terms | Vacant Councilwoman V. Seaman | 7-17-2019 | 7-17-2021 |
| Commission for the Las Vegas Centennial | | Until replaced | Mayor C. Goodman Councilman C. Crear | 7-6-2011 7-17-2019 | |
| Debt Management Commission (Formerly General Obligation Bond Comm.) (One member also serves on the SNRPC) | 1 | 2 yrs. | Councilwoman V. Seaman | 7-17-2019 | June 2021 |
| Las Vegas Convention and Visitors Authority | 2 | Term of Office | Mayor C. Goodman Councilwoman M. Fiore | 8-3-2016 2-21-2018 | June 2023 June 2021 |
| Las Vegas Springs Preserve- Board of Trustees | 1 | Term of Office | Councilman B. Knudsen | 7-8-2020 | June 2024 |
| Local Law Enforcement Advisory Committee | 2 | Until replaced | Councilman S. Anthony Councilman C. Crear | 5-1-2019 | |
| Mayor Pro Tem | 1 | Until replaced | Councilwoman M. Fiore | 7-3-2019 | Council Elects |
| Metropolitan Police Committee on Fiscal Affairs | 2 | Until replaced | Councilman C. Crear Councilman S. Anthony | 7-17-2019 3-7-2012 | |
| Nellis Civilian Military Council Executive Board | 2 | Until Replaced (Mayor and Alt.) | Mayor C. Goodman Councilwoman M. Fiore (Alt) | 7-6-2011 7-17-2019 | |
| LVGEA-LV Global Economic Alliance (formerly Nevada Development Authority) | 1 | 2 yrs. | Mayor C. Goodman | 7-8-2020 | July 2022 |
| Nevada League of Cities | | Until Replaced | Councilman B. Knudsen | 7-17-2019 | |
| Oversight Panel for School Facilities (These board appointments may not fall during the Election cycle appointment process for Council members.) | 1 | 2 yrs. | Councilwoman O. Diaz | 7-17-2019 | 12-31-2021 |
| Regional Flood Control District (Members are the same as those appointed to RTC and terms should coincide.) | 2 | 2 yrs. | Councilman S. Anthony Mayor C. Goodman | 7-17-2019 5-20-2015 | 6-30-2021 6-30-2021 |
| Regional Transportation Commission (Expiration date set by NRS) | 2 | 2 yrs. | Councilman S. Anthony Mayor C. Goodman | 7-17-2019 5-20-2015 | 6-30-2021 6-30-2021 |
| Southern Nevada Enterprise Community Board (These board appointments may not fall during the Election cycle appointment process for Council members) | | 3 yrs. | Councilman C. Crear | 5-16-2018 | 7-17-2021 |
| Southern Nevada Health District (Formerly Cl. Co. District Bd. of Health) (Membership changed to 2 Council Elected Officials per AB380-2005) | | 2 yrs. | Councilwoman O. Diaz Councilman B. Knudsen | 7-17-2019 7-17-2019 | June 2021 June 2021 |
| Southern Nevada Regional Housing Authority | 1 | 2 yrs. | Councilwoman O. Diaz | 7-17-2019 | June 2021 |
| Southern Nevada Regional Planning Coalition (Formerly So. Nev. Gov't Efficiency Committee) (Member also serves on Debt Management) | 2 | Until replaced | Councilman B. Knudsen Councilwoman O. Diaz Councilman S. Anthony (Alt) | 7-17-2019 7-8-2020 7-6-2011 | |
| Southern Nevada Water Authority | 2 | Until replaced (1 Member, 1 Alternate) | Councilman C. Crear Councilman S. Anthony (Alt) | 7-17-2019 7-15-2009 | |
| Tule Springs Fossil Bed Advisory Council | 1 | 3 yrs. Must fill unexpired terms | Councilwoman M. Fiore | 9-6-2017 | 9-12-2020 |
| Yucca Mountain Nuclear Repository Committee | 2 | Until replaced | Councilman C. Crear Councilwoman V. | 5-16-2018 7-17-2019 | City Mgr. or designee also serves |

| | | | | | |
|---|---|---|---|---|---|
| | | | Seaman | | |

DRAFT

# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**34**

**DEPARTMENT: City Clerk** **DISCUSSION**
**DIRECTOR: LuAnn Holmes**

**SUBJECT:**
BOARDS & COMMISSIONS:

Discussion for possible action regarding the appointment of nominee Valerie Brown to the Civil Service Board of Trustees

**FISCAL IMPACT:**
None

**PURPOSE/BACKGROUND:**
The Board of Civil Service Trustees is comprised of 5 members appointed by the City Council for a four-year term. Members of this board must be City residents and attendance is compensatory. Members are limited to two full terms and there is no requirement to fill an unexpired portion of a term. Mr. Rodney Jordan was originally appointed in 2012 and his term expired in March of 2020. Since he is termed out and can no longer serve, a replacement must be named. Ms. Valerie Brown is eligible and wishes to be appointed.

**RECOMMENDATION:**
Procedure for this board requires appointment by the City Council. The option is for any member of the City Council to recommend the appointment of Valerie Brown with an effective date of July 16, 2020 or advise staff to agenda an item at a future meeting to consider another nominee.

**BACKUP DOCUMENTATION:**
1. Current Listing and Authority

11-6-2019 **Per Senate Bill 147, effective June 11, 2003, compensated boards meeting certain criteria are no longer required to file State Financial Disclosure Statements. This board meets that established criteria.**

## BOARD OF CIVIL SERVICE TRUSTEES

| | MEMBERS | ORIGINAL APPT. | TERM EXPIRES |
|---|---|---|---|
| 1. | **LOIS MACK** | 1-8-2014 (Reapp 12-6-2017) | 1-8-2021 |
| 2. | **GREG CLEMENS** | 5-2-2018 | 5-2-2022 |
| 3. | **RODNEY JORDAN** | 3-21-2012 (Reapp. 2-17-2016) | 3-21-2020 |
| 4. | **RUMALDO CHAIDEZ** | 4-5-2017 | 4-5-2021 |
| 5. | **RICHARD MANHATTAN** | 11-6-2019 | 11-6-2023 |

******

**AUTHORITY:** City Charter Article 10 - L.V.M.C. 3.04; Ordinance 3307 (Bill 87-41); Ordinance 3311(Bill87-48); Ordinance 3321 (Bill 87-57); Ordinance 5346 (Bill 2001-70), of 8-1-2001 indicating Financial Disclosures requirement

**TERM:** 4 year terms (do not have to fill unexpired terms).
**Members are limited to two full terms**. (Ord. 3321, 11-4-87)

**APPOINTED:** 5 members appointed by the City Council.

**COMPENSATION:** $50.00 for each meeting attended.

**NOTES:** **MUST BE CITY OF LAS VEGAS RESIDENT (Ord. 3527, LVMC 2.49).**

**Per Senate Bill 147, effective June 11, 2003, compensated boards meeting certain criteria are no longer required to file State Financial Disclosure Statements. This board meets that established criteria.**

**PURPOSE:** The Board of Civil Service Trustees administers the system of civil service

# *AGENDA SUMMARY PAGE*
**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**35**

**DEPARTMENT: City Attorney** **DISCUSSION**
**DIRECTOR: Brad Jerbic**

**SUBJECT:**
RECOMMENDING COMMITTEE: BILLS ELIGIBLE FOR ADOPTION AT THIS MEETING

Bill No. 2020-18 - For possible action - Amends LVMC 6.82.060, pertaining to smoking lounges, to update an age limitation to be more consistent with Federal law regarding tobacco sales. Proposed by: Robert Summerfield, Director of Planning

**FISCAL IMPACT:**
None

**PURPOSE/BACKGROUND:**
This bill will amend LVMC 6.82.060, pertaining to smoking lounges, to update an age limitation to be more consistent with Federal law regarding tobacco sales. Federal law now prohibits sales to persons under 21, and this bill will prohibit smoking lounges from allowing those under age to consume tobacco products.

**RECOMMENDATION:**
ADOPTION at the July 8, 2020, City Council Meeting, pursuant to the June 15, 2020 Recommending Committee Meeting.

First Read: June 3, 2020 First Publication: June 25, 2020

**BACKUP DOCUMENTATION:**
1. Bill No. 2020-18

**BILL NO. 2020-18**

**ORDINANCE NO. _____**

AN ORDINANCE TO AMEND LVMC 6.82.060, PERTAINING TO SMOKING LOUNGES, TO UPDATE AN AGE LIMITATION TO BE MORE CONSISTENT WITH FEDERAL LAW REGARDING TOBACCO SALES, AND TO PROVIDE FOR OTHER RELATED MATTERS.

Proposed by: Robert Summerfield, Director of Planning

Summary: Amends LVMC 6.82.060, pertaining to smoking lounges, to update an age limitation to be more consistent with Federal law regarding tobacco sales.

THE CITY COUNCIL OF THE CITY OF LAS VEGAS DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1: Title 6, Chapter 82, Section 60, of the Municipal Code of the City of Las Vegas, Nevada, 1983 Edition, is hereby amended to read as follows:

**6.82.060:** It is unlawful for any business subject to licensing as a smoking lounge to:

(A) Employ a person under the age of eighteen years (or allow such an employee) to sell or handle tobacco products or tobacco paraphernalia;

(B) Allow a person under the age of [eighteen] twenty-one years to consume tobacco products; or

(C) Allow patron consumption of marijuana, concentrated marijuana or marijuana products.

SECTION 2: If any section, subsection, subdivision, paragraph, sentence, clause or phrase in this ordinance or any part thereof is for any reason held to be unconstitutional or invalid or ineffective by any court of competent jurisdiction, such decision shall not affect the validity or effectiveness of the remaining portions of this ordinance or any part thereof. The City Council of the City of Las Vegas hereby declares that it would have passed each section, subsection, subdivision, paragraph, sentence, clause or phrase thereof irrespective of the fact that any one or more sections, subsections, subdivisions, paragraphs, sentences, clauses or phrases be declared unconstitutional, invalid or ineffective.

SECTION 3: Whenever in this ordinance any act is prohibited or is made or declared to

be unlawful or an offense or a misdemeanor, or whenever in this ordinance the doing of any act is required or the failure to do any act is made or declared to be unlawful or an offense or a misdemeanor, the doing of such prohibited act or the failure to do any such required act shall constitute a misdemeanor and upon conviction thereof, shall be punished by a fine of not more than $1,000.00 or by imprisonment for a term of not more than six months, or by any combination of such fine and imprisonment. Any day of any violation of this ordinance shall constitute a separate offense.

SECTION 4: All ordinances or parts of ordinances or sections, subsections, phrases, sentences, clauses or paragraphs contained in the Municipal Code of the City of Las Vegas, Nevada, 1983 Edition, in conflict herewith are hereby repealed.

PASSED, ADOPTED and APPROVED this _____ day of _____, 2020.

APPROVED:

By _____
CAROLYN G. GOODMAN, Mayor

ATTEST:

_____
LUANN D. HOLMES, MMC
City Clerk

APPROVED AS TO FORM:

Val Steed 5-19-2020
Val Steed, Date
Deputy City Attorney

The above and foregoing ordinance was first proposed and read by title to the City Council on the _____ day of _____, 2020, and referred to a committee for recommendation, the committee being composed of the following members _____; thereafter the said committee reported favorably on said ordinance on the _____ day of _____, 2020, which was a _____ meeting of said Council; that at said _____ meeting, the proposed ordinance was read by title to the City Council as first introduced and adopted by the following vote:

VOTING "AYE": _____

VOTING "NAY": _____

ABSENT: _____

APPROVED:

By _____
CAROLYN G. GOODMAN, Mayor

ATTEST:

_____
LUANN D. HOLMES, MMC
City Clerk

# *AGENDA SUMMARY PAGE*
**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**36**

**DEPARTMENT: City Attorney** **DISCUSSION**
**DIRECTOR: Bryan K. Scott**

**SUBJECT:**
NEW BILLS:

Bill No. 2020-20 - Authorizes, on a temporary basis, a partial waiver of the origination charge for new restaurant service bar licenses. Sponsored by: Councilwoman Victoria Seaman

**FISCAL IMPACT:**
None

**PURPOSE/BACKGROUND:**
This bill will authorize, on a temporary basis, a partial waiver of the origination charge for new restaurant service bar licenses. The Council adopted similar measures in January 2016 and January 2017, authorizing in each case a waiver of up to five-sixths of the origination charge for new licenses of that type applied for in the year following ordinance adoption. This bill is intended to re-adopt that temporary program through the end of the year in order to help encourage the establishment of this type of business, particularly in light of current business conditions.

**RECOMMENDATION:**
This bill should be submitted to a Recommending Committee for review, hearing and recommendation to the City Council for final action.

**BACKUP DOCUMENTATION:**
1. Bill No. 2020-20

**BILL NO. 2020-20**

**ORDINANCE NO. _____**

AN ORDINANCE TO AUTHORIZE, ON A TEMPORARY BASIS, A PARTIAL WAIVER OF THE ORIGINATION CHARGE FOR NEW RESTAURANT SERVICE BAR LICENSES, AND TO PROVIDE FOR OTHER RELATED MATTERS.

Sponsored by: Councilwoman Victoria Seaman

Summary: Authorizes, on a temporary basis, a partial waiver of the origination charge for new restaurant service bar licenses.

THE CITY COUNCIL OF THE CITY OF LAS VEGAS DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1: In order to encourage new restaurant service bar licenses within the City, the Business Licensing Division of the Department of Planning, in accordance with Section 2 of this Ordinance, may waive up to five-sixths of the amount of the origination charge otherwise imposed by LVMC 6.50.380.

SECTION 2: The partial waiver referred to in Section 1 of this Ordinance may be granted pursuant to a qualifying waiver application that is filed with the Division between the effective date of this Ordinance and December 31, 2020. Any such waiver shall be conditioned upon activation of the business license within the following time periods after the submittal of a qualifying waiver application:

(A) One year, for a business to be located within an existing structure; or

(B) Two years, otherwise.

SECTION 3: Notwithstanding any provision of Title 6 of the Las Vegas Municipal Code to the contrary, a business license concerning which a waiver has been granted pursuant to this Ordinance and which has been activated:

(A) May not be sold or transferred to a third party; and

(B) May not be transferred to a new location unless the location is within the district to which the license pertains, the location is approved in accordance with the requirements of Title 19, and the license holder remains the same.

SECTION 4: For purposes of Sections 2 and 3 of this Ordinance:

(A) "Activation of a business license" means that the license has been issued and the business authorized by the license has opened for business operation.

(B) "Qualifying waiver application" means an application for waiver that is:

(1) Submitted in connection with a business license application; and

(2) Accompanied by a copy of one of the following documents that has been filed with the Department of Planning pursuant to Title 19 of the Las Vegas Municipal Code:

(a) An application for a special use permit, if one is required; or

(b) A conditional use verification, otherwise.

SECTION 5: If any section, subsection, subdivision, paragraph, sentence, clause or phrase in this ordinance or any part thereof is for any reason held to be unconstitutional or invalid or ineffective by any court of competent jurisdiction, such decision shall not affect the validity or effectiveness of the remaining portions of this ordinance or any part thereof. The City Council of the City of Las Vegas hereby declares that it would have passed each section, subsection, subdivision, paragraph, sentence, clause or phrase thereof irrespective of the fact that any one or more sections, subsections, subdivisions, paragraphs, sentences, clauses or phrases be declared unconstitutional, invalid or ineffective.

SECTION 6: All ordinances or parts of ordinances or sections, subsections, phrases, sentences, clauses or paragraphs contained in the Municipal Code of the City of Las Vegas, Nevada, 1983 Edition, in conflict herewith are hereby repealed.

PASSED, ADOPTED and APPROVED this _____ day of _____, 2020.

APPROVED:

By _____
CAROLYN G. GOODMAN, Mayor

ATTEST:

_____
LUANN D. HOLMES, MMC
City Clerk

APPROVED AS TO FORM:

Val Steed 6-16-2020
_____
Val Steed, Date
Deputy City Attorney

The above and foregoing ordinance was first proposed and read by title to the City Council on the _____ day of _____, 2020, and referred to a committee for recommendation, the committee being composed of the following members _____; thereafter the said committee reported favorably on said ordinance on the _____ day of _____, 2020, which was a _____ meeting of said Council; that at said _____ meeting, the proposed ordinance was read by title to the City Council as first introduced and adopted by the following vote:

VOTING "AYE": _____

VOTING "NAY": _____

ABSENT: _____

APPROVED:

By _____
CAROLYN G. GOODMAN, Mayor

ATTEST:

_____
LUANN D. HOLMES, MMC
City Clerk

# *AGENDA SUMMARY PAGE*
**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**37**

**DEPARTMENT: City Attorney** **DISCUSSION**
**DIRECTOR: Bryan K. Scott**

**SUBJECT:**
NEW BILLS:

Bill No. 2020-21 - Amends various provisions of the Unified Development Code to establish the circumstances under which on-premise signs with off-premise messaging are permitted in connection with certain non-restricted gaming establishments, commercial recreation/amusement establishments (indoor or outdoor), and convention facilities. Proposed by: Scott D. Adams, City Manager

**FISCAL IMPACT:**
None

**PURPOSE/BACKGROUND:**
This bill will amend various provisions of the Unified Development Code to establish the circumstances under which on-premise signs with off-premise messaging are permitted in connection with certain non-restricted gaming establishments, commercial recreation/amusement establishments (indoor or outdoor), and convention facilities. The general focus of the bill is to allow messaging that corresponds to an ordinance adopted in December 2018 by the Clark County Commission for unincorporated areas.

**RECOMMENDATION:**
This bill should be submitted to a Recommending Committee for review, hearing and recommendation to the City Council for final action.

**BACKUP DOCUMENTATION:**
1. Bill No. 2020-21

**BILL NO. 2020-21**

**ORDINANCE NO. _____**

AN ORDINANCE TO AMEND VARIOUS PROVISIONS OF THE UNIFIED DEVELOPMENT CODE TO ESTABLISH THE CIRCUMSTANCES UNDER WHICH ON-PREMISE SIGNS WITH OFF-PREMISE MESSAGING ARE PERMITTED IN CONNECTION WITH CERTAIN NON-RESTRICTED GAMING ESTABLISHMENTS, COMMERCIAL RECREATION/AMUSEMENT ESTABLISHMENTS (INDOOR OR OUTDOOR), AND CONVENTION FACILITIES, AND TO PROVIDE FOR OTHER RELATED MATTERS.

Proposed by: Scott D. Adams, City Manager

Summary: Amends various provisions of the Unified Development Code to establish the circumstances under which on-premise signs with off-premise messaging are permitted in connection with certain non-restricted gaming establishments, commercial recreation/amusement establishments (indoor or outdoor), and convention facilities.

THE CITY COUNCIL OF THE CITY OF LAS VEGAS DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1: Ordinance No. 6289, Ordinance No. 6721 and the Unified Development Code adopted as Title 19 of the Municipal Code of the City of Las Vegas, Nevada, 1983 Edition, are hereby amended as set forth in Sections 2 to 9, inclusive, of this Ordinance. The amendments in those sections are deemed to be amendments to Ordinance No. 6289, Ordinance No. 6721 and the Unified Development Code adopted as Title 19.

SECTION 2: Title 19, Chapter 10, Section 20, Subsection (C), is hereby amended to read as follows:

**C. Similar Uses**

1. Additional Uses. The uses permitted in Subsection (B) of this [Subchapter] Section are classified on the basis of common operational characteristics and land use compatibility. Uses not specifically listed in this [Subchapter] Section are prohibited. However, additional uses may be permitted by the Director if the Director finds the use in each case to be similar to the other uses listed in Subsection (B) of this [Subchapter.], Section, including a privately owned use that provides recreation or amusement opportunities of the type often provided for by a public agency.

2. Appeal of Decision. An applicant who is aggrieved by the decision of the Director may appeal that decision to the City Council. The appeal shall be filed in the office of the City Clerk, with a copy to be filed in the office of the Department of Planning. The appeal must be filed within 10 days after the decision is made. Unless otherwise stated, the Council's determination shall constitute a permanent and consistent interpretative decision, which the Director shall apply in all future instances.

SECTION 3: Ordinance No. 6721 and Title 19, Chapter 10, Section 20, Subsection (D), are hereby amended so that Section 19.10.020(D) reads as follows:

**D. Uses Permitted by Special Use Permit**

1. The following uses may be permitted in the C-V District by means of Special Use Permit if in each case the parcel or use is operated or controlled by an agency or subdivision of local, state or federal government:

a. Banquet Facility;

b. Beer/Wine/Cooler On-Sale Establishment;

c. Convention Facility, Publicly Operated;

d. Custodial Institution;

e. Gaming Establishment, General Business-Related;

f. Liquified Petroleum Gas Installation (Over 288 Gallons);

g. Liquor Establishment (Tavern);

h. Restaurant with Service Bar;

i. Social Event with Alcoholic Beverage Sales;

j. Supper Club.

2. Except as otherwise provided in this Paragraph (2), an Off-Premise Sign may be permitted in the C-V District, but only by means of a Special Use Permit and only if in each case the parcel or use is operated or controlled by an agency of local, state or federal government, or by any fraternal, veteran, civic or service organization. An off-premise sign that qualifies as a City Communication Sign is exempt from the Special Use Permit Requirement if it meets the requirements of LVMC 19.12.120(H). An on-premise sign with off-

premise messaging as described in LVMC 19.12.120(I)(b) is exempt from the Special Use Permit Requirement if it meets the requirements of LVMC 19.12.120(I)(b).

3. The following uses may be permitted in the C-V District by means of Special Use Permit without limitation as to the person or entity that operates or controls the parcel or use:

a. Cemetery/Mausoleum;

b. Crematory;

c. Mortuary or Funeral Chapel.

SECTION 4: Ordinance No. 6721 and Title 19, Chapter 10, Section 160, Subsection (C), Paragraph (3), are hereby amended so that Paragraph 3 reads as follows:

3. Off-premise Signs. Except [as otherwise provided in LVMC 19.12.120(H),] for signs permissible pursuant to LVMC 19.12.120(H) and 19.12.120(I), off-premise signs are not permitted within the Las Vegas Boulevard Scenic Byway Overlay District. No waiver or Variance from this prohibition is available.

SECTION 5: Title 19, Chapter 12, Section 120, Subsection (A), is hereby amended to read as follows:

**A. Off-Premise [Signs Defined] Sign Characteristics**

Except as otherwise provided in this Chapter, [Off-premise] off-premise signs are to be considered primarily a specific type of land use rather than as an incidental use to an existing land use. Off-premise signs generally produce revenue to the property owner(s) as a land use as compared to on-premise signs which in themselves do not produce revenue but are incidental to a revenue-producing land use. However, because of the special characteristics of off-premise signs as compared to other types of land uses and structures, certain qualifications and requirements are set forth in connection with off-premise signs as a permitted use in certain zoning districts.

SECTION 6: Ordinance No. 6721 and Title 19, Chapter 12, Section 120, Subsection (B), are hereby amended so that Section 19.12.120(B) reads as follows:

. . .

**B. Special Use Permit Required**

1. Except as otherwise provided in Subsections (F), (G), [and] (H) and (I) of this Section, a Special Use Permit is required for all off-premise signs prior to the construction, placement, erection or modification of the sign in accordance with the requirements of this Title. A Special Use Permit application shall be processed in accordance with LVMC 19.16.110. Furthermore, the property owner(s), owner(s) of the structure or other responsible person shall maintain in force, at all times, a sign certificate for the sign in accordance with the requirements of this Title.

2. The Special Use Permit requirement set forth in Paragraph (1) is in addition to and independent of any locational provision or limitation contained in this Section. In determining whether to approve or deny a Special Use Permit under this Section, the Planning Commission and City Council may consider the aesthetic impact of the sign on the area and all other aspects of the sign's compatibility with the surrounding area, including the existence or nonexistence of other signage in the area.

3. In connection with the approval of a Special Use Permit under this Section, the Planning Commission or City Council may impose a time limit on the approval or require a periodic review of the sign as a condition of approval, provided that:

a. In the case of a time limit, the limit is not less than three years; and

b. In the case of a periodic review, the review is not sooner than three years after the approval.

4. After conducting a review, the City Council may require removal of the sign if it is demonstrated that conditions in the surrounding area have changed in such a manner that the sign no longer meets the standards established in LVMC 19.16.110(L).

SECTION 7: Ordinance No. 6721 and Title 19, Chapter 12, Section 120, are hereby amended by adding to that Section a new Subsection (I), reading as follows:

**I. On-Premise Signs with Off-Premise Messaging**

On-premise signs with off-premise messaging are exempt from the preceding provisions of this Section (LVMC 19.12.120). Such signs are permitted, but only in accordance with and subject to Paragraphs (a) and (b) below:

a. On-premise signs with off-premise messaging are permissible for a non-restricted gaming establishment when operated in conjunction with a hotel having more than 200 rooms. In each case, such signs are subject to the following:

i. The quantity and location of all existing or proposed on-premise signs with off-premise messaging are subject to prior review and approval through a new Master Sign Plan application processed in accordance with LVMC 19.16.270.

ii. All such signs shall conform to the on-site sign dimensional and locational provisions of LVMC 19.08.120, 19.10.100, 19.10.110, 19.10.120, and 19.10.160, as applicable.

iii. No supergraphic sign is eligible for consideration as an on-premise sign with off-premise messaging.

b. On-premise signs with off-premise messaging are permissible for commercial recreation/amusement (indoor/outdoor) establishments with permanent fixed seating for over 9,000 people. In each case, such signs are subject to the following:

i. The quantity and location of all existing or proposed on-premise signs with off-premise messaging are subject to prior review and approval through a new Master Sign Plan application processed in accordance with LVMC 19.16.270.

ii. All such signs shall conform to the on-site sign dimensional and locational provisions of LVMC 19.08.120, 19.10.020, 19.10.030, 19.10.040, 19.10.060, 19.10.070, 19.10.100, 19.10.110, 19.10.120, and 19.10.160, as applicable.

iii. No supergraphic sign is eligible for consideration as an on-premise sign with off-premise messaging.

c. On-premise signs with off-premise messaging are permissible for a convention facility structure having between 250,000 and 500,000 square feet of floor space. In each case, such signs are subject to the following:

i. The quantity and location of all existing or proposed on-premise signs with off-premise messaging are subject to prior review and approval through a new Master Sign Plan application

processed in accordance with LVMC 19.16.270.

ii. All such signs shall conform to the on-site sign dimensional and locational provisions of LVMC 19.08.120, 19.10.020, 19.10.030, 19.10.040, 19.10.060, 19.10.070, 19.10.100, 19.10.110, 19.10.120, and 19.10.160, as applicable.

iii. No supergraphic sign is eligible for consideration as an on-premise sign with off-premise messaging.

SECTION 8: Title 19, Chapter 18, Section 20, is hereby amended by amending the definition of the term "Off-Premise Sign" to read as follows:

**Off-Premise Sign.** Any sign advertising or announcing any place, product, goods, services, idea or statement whose subject is not located nor available on the lot where the sign is erected or placed. For certain purposes, the term includes city communication signs and on-premise signs with off-premise messaging, but the provisions of LVMC 19.12.120 that pertain to those two types of signs shall govern and control over any conflicting or inconsistent provision regarding off-premise signs generally.

SECTION 9: Title 19, Chapter 18, Section 20, is hereby amended by adding, at the appropriate location, the following term and its corresponding definition:

**On-Premise Sign with Off-Premise Messaging.** An existing or proposed on-premise sign that, in addition to its function as an on-premise sign, is used to advertise or announce any place, product, goods, service, idea or statement whose subject is not located nor available on the property where the sign is erected or placed. An on-premise sign with off-premise messaging is only permissible in accordance with LVMC 19.12.120(I).

SECTION 10: For purposes of Section 2.100(3) of the City Charter, Sections 19.10.020, 19.10.160, 19.12.120 and 19.18.020 are deemed to be subchapters rather than sections.

SECTION 11: The Department of Planning is authorized and directed to incorporate into the Unified Development Code the amendments set forth in Sections 2 to 9, inclusive, of this Ordinance.

SECTION 12: If any section, subsection, subdivision, paragraph, sentence, clause or phrase in this ordinance or any part thereof is for any reason held to be unconstitutional or invalid or

ineffective by any court of competent jurisdiction, such decision shall not affect the validity or effectiveness of the remaining portions of this ordinance or any part thereof. The City Council of the City of Las Vegas hereby declares that it would have passed each section, subsection, subdivision, paragraph, sentence, clause or phrase thereof irrespective of the fact that any one or more sections, subsections, subdivisions, paragraphs, sentences, clauses or phrases be declared unconstitutional, invalid or ineffective.

SECTION 13: Whenever in this ordinance any act is prohibited or is made or declared to be unlawful or an offense or a misdemeanor, or whenever in this ordinance the doing of any act is required or the failure to do any act is made or declared to be unlawful or an offense or a misdemeanor, the doing of such prohibited act or the failure to do any such required act shall constitute a misdemeanor and upon conviction thereof, shall be punished by a fine of not more than $1,000.00 or by imprisonment for a term of not more than six months, or by any combination of such fine and imprisonment. Any day of any violation of this ordinance shall constitute a separate offense.

SECTION 14: All ordinances or parts of ordinances or sections, subsections, phrases, sentences, clauses or paragraphs contained in the Municipal Code of the City of Las Vegas, Nevada, 1983 Edition, in conflict herewith are hereby repealed.

PASSED, ADOPTED and APPROVED this _____ day of _____, 2020.

APPROVED:

By _____
CAROLYN G. GOODMAN, Mayor

ATTEST:

_____
LUANN D. HOLMES, MMC
City Clerk

APPROVED AS TO FORM:

Val Steed 6-29-2020
Val Steed, Date
Deputy City Attorney

The above and foregoing ordinance was first proposed and read by title to the City Council on the _____ day of _____, 2020, and referred to a committee for recommendation, the committee being composed of the following members _____; thereafter the said committee reported favorably on said ordinance on the _____ day of _____, 2020, which was a _____ meeting of said Council; that at said _____ meeting, the proposed ordinance was read by title to the City Council as first introduced and adopted by the following vote:

VOTING "AYE": _____

VOTING "NAY": _____

ABSENT: _____

APPROVED:

By _____
CAROLYN G. GOODMAN, Mayor

ATTEST:

_____
LUANN D. HOLMES, MMC
City Clerk

# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**38**

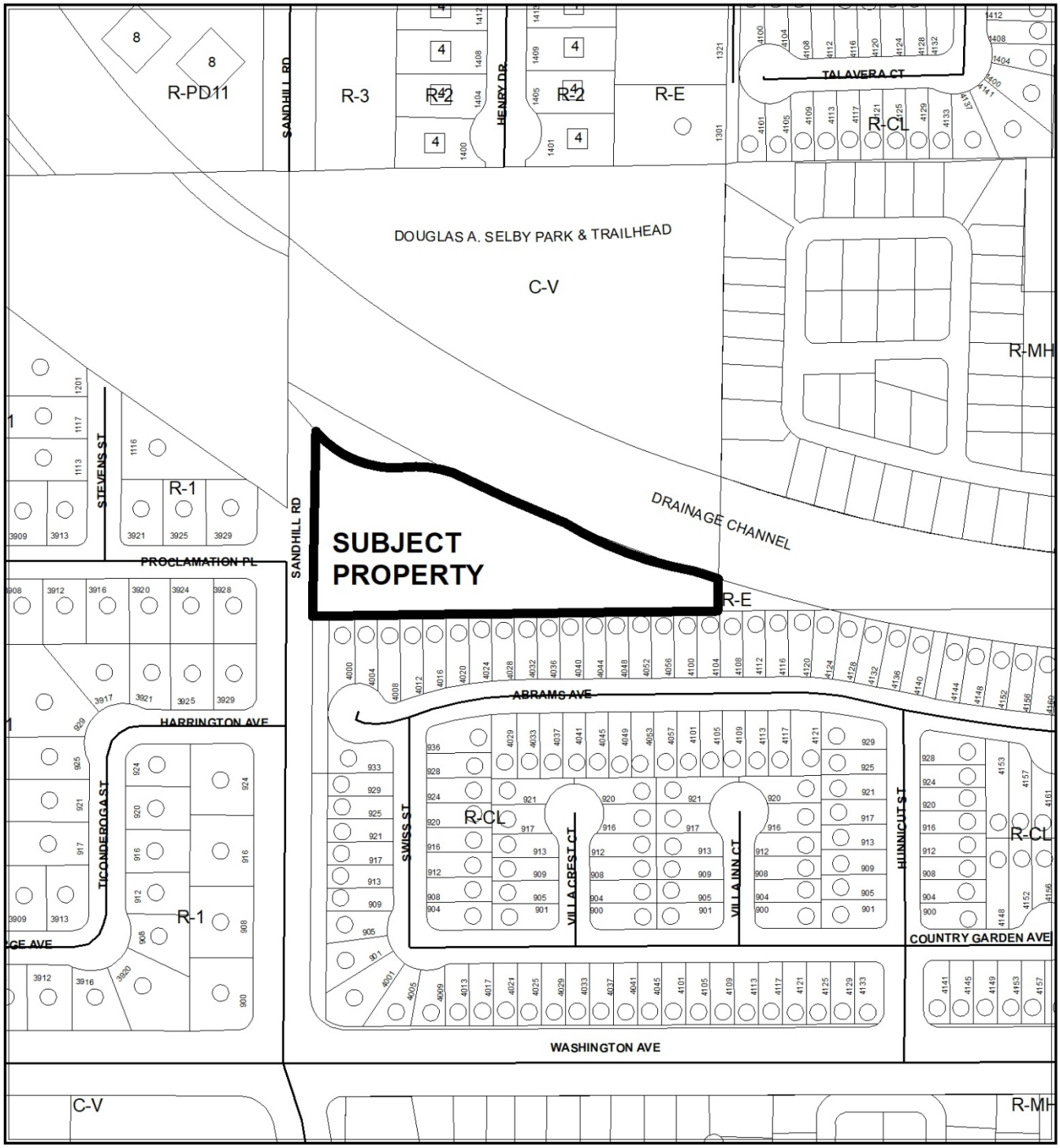
**DEPARTMENT: Planning** **CONSENT**
**DIRECTOR: Robert Summerfield**

**SUBJECT:**
EOT-78792 - EXTENSION OF TIME - VARIANCE - APPLICANT/OWNER: NEVADA NEW BUILDS, LLC - For possible action on a request for the third Extension of Time of an approved Variance (VAR-53197) FOR A RESIDENTIAL ADJACENCY SETBACK OF 41 FEET WHERE 83 FEET IS REQUIRED on 2.29 acres located approximately 597 feet north of Washington Avenue on the east side of Sandhill Road (APN 140-30-601-006), R-3 (Medium Density Residential) Zone, Ward 3 (Diaz) [PRJ-78775]. Staff recommends APPROVAL.

| **PROTESTS RECEIVED BEFORE:** | | **APPROVALS RECEIVED BEFORE:** | |
|---|---|---|---|
| Planning Commission Mtg. | 0 | Planning Commission Mtg. | 0 |
| City Council Meeting | 0 | City Council Meeting | 0 |

**RECOMMENDATION:**
Staff recommends APPROVAL, subject to conditions:

**BACKUP DOCUMENTATION:**
1. Location and Aerial Maps - EOT-78792 and EOT-78793 [PRJ-78775]
2. Conditions and Staff Report - EOT-78792 and EOT-78793 [PRJ-78775]
3. Supporting Documentation - EOT-78792 and EOT-78793 [PRJ-78775]
4. Photo(s) - EOT-78792 and EOT-78793 [PRJ-78775]
5. City Council Approval Letter - EOT-72994
6. Justification Letter - EOT-78792 and EOT-78793 [PRJ-78775]




0 175 350 Feet

**CASE: EOT-78792, EOT-78793 (PRJ-78775)**

**ZONING OF SUBJECT PROPERTY:** R-3 (MEDIUM DENSITY RESIDENTIAL)

N




0 175 350 Feet

**CASE: EOT-78792, EOT-78793 (PRJ-78775)**

**ZONING OF SUBJECT PROPERTY:** R-3 (MEDIUM DENSITY RESIDENTIAL)

N

City of Las Vegas

## *AGENDA MEMO - PLANNING*

**CITY COUNCIL MEETING DATE: JULY 8, 2020**
**DEPARTMENT: PLANNING**
**ITEM DESCRIPTION: APPLICANT/OWNER: NEVADA NEW BUILDS, LLC**

## ** STAFF RECOMMENDATION(S) **

| *CASE NUMBER* | *RECOMMENDATION* | *REQUIRED FOR APPROVAL* |
|---|---|---|
| **EOT-78792** | Staff recommends APPROVAL, subject to conditions: | |
| **EOT-78793** | Staff recommends APPROVAL, subject to conditions: | EOT-78792 |

## ** NOTIFICATION **

**NEIGHBORHOOD ASSOCIATIONS NOTIFIED** N/A

**NOTICES MAILED** N/A

**PROTESTS** 0

**APPROVALS** 0



AS

**** CONDITIONS ****

# EOT-78792 CONDITIONS

***Planning***

1. This Site Development Plan Review (VAR-53197) shall expire on 05/21/22 unless another Extension of Time is approved by the City Council.

2. Conformance to the approved conditions for Variance (VAR-53197) and Site Development Plan Review (SDR-53040), and Site Development Plan Review (SDR-74845).

# EOT-78793 CONDITIONS

***Planning***

1. This Site Development Plan Review (VAR-53197) shall expire on 05/21/22 unless another Extension of Time is approved by the City Council.

2. Conformance to the approved conditions for Variance (VAR-53197) and Site Development Plan Review (SDR-53040), and Site Development Plan Review (SDR-74845).

# ** STAFF REPORT **

## PROJECT DESCRIPTION

This is a request for a third Extension of Time for a previously approved Variance (VAR-53197) and Site Development Plan Review (SDR-53040) allowing a proposed 40 unit apartment complex on a property located approximately 597 feet north of Washington Avenue and on the east side of Sandhill Road.

## ISSUES

- This is the third Extension of Time request for Variance (VAR-53197) and Site Development Plan Review (SDR-53040).
- Prior applications for Extensions of Time (EOT-64015 and EOT-64017) were approved by the City Council on 05/18/16 and Extensions of Time (EOT-72994 and EOT-72995) were approved by the City Council on 05/02/18, with the expiration date of 05/21/20.
- A Minor Amendment to the Site Development Plan Review (SDR-74845) was approved administratively by staff since the last Extension of Time request was approved.

## ANALYSIS

This is the third request for an Extension of Time for a Variance (VAR-53197) and Site Development Plan Review (SDR-53040) for a proposed two-story, 40-unit apartment complex with a residential adjacency setback of 41 feet where 83 feet is required. The most recent Extensions of Time (EOT-72994 and EOT-72995) were approved by the City Council on 05/02/20, extending both entitlements until 05/21/20. No building plans have been submitted for review nor have any building permits been issued for the proposed development.

Pursuant to Title 19.16.140 and Title 19.16.100 land entitlements are deemed exercised upon the issuance of a building permit for the structure on site. Since no building permits have been issued, an Extension of Time is necessary. If denied, the land entitlements will have expired on 05/21/20.

Since the last Extension of Time approval in May 2018, the subject site was purchased by a new ownership group. The new ownership group had requested to make minor modifications to the originally approved building plans; these changes were approved administratively by staff through a Minor Site Development Plan Review (SDR-74845). Through this review, the proposed development had modified building heights, façade materials, and setbacks. All of the proposed changes adhered to Title 19 requirements. The proposed elevation changes reduced the previously approved residential adjacency Variance (VAR-53197) of 41 feet where 83 is required, down to 41 feet where 75 feet is required. The proposed changes had a less stringent impact on the adjacent residential properties and remained in conformance with the approved Variance. Additional changes were approved affecting the façade materials, colors, and the addition of new landscape materials. Despite this approval, the applicant has resubmitted the original plans depicting the original approval and design of the site. Based on Condition of Approval Number One (1) of SDR-74845, this aforementioned Minor Review will expire on 12/10/20, unless either a building permit is issued or another Extension of Time is approved.

## FINDINGS

The Variance (VAR-53197) and Site Development Plan Review (SDR-53040) have not been exercised in accordance with the requirements of Title 19.16.140 and Title 19.16.100, as no building permits have been issued for the proposed development.

The applicant is requesting a two-year Extension of Time to comply with the condition of approval for the Variance and Site Development Plan Review. In the submitted justification letter dated stamped on 05/18/20, the applicant states that the contract with the developer fell through and that they need the extended amount of time to either find a new developer or develop the site themselves.

The conditions of the site and the surrounding area have not changed since the original approval of the Variance and Site Development Plan Review in 2014; therefore, staff recommends approval of these requests with a two-year time limit.

## BACKGROUND INFORMATION

| ***Related Relevant City Actions by P&D, Fire, Bldg., etc*** | |
|---|---|
| 08/21/02 | The City Council approved a Special Use Permit (U-0075-02) request for a Church/House of Worship on the subject site. |

| ***Related Relevant City Actions by P&D, Fire, Bldg., etc.*** | |
|---|---|
| 05/16/07 | The City Council approved a request for Rezoning (ZON-20602) from R-E (Residence Estates) to R-2 (Medium-Low Density Residential), a Site Development Plan Review (SDR-19484) request for a Church/House of Worship and a Special Use Permit (SUP-19483) for a Church/House of Worship on the east side of Sandhill Road, approximately 630 feet north of Washington Avenue. The Planning Commission and staff recommended approval. SDR-19484 and SUP-19483 have expired. |
| 05/21/14 | The City Council approved a request for a General Plan Amendment (GPA-53037) from ML (Medium Low Density Residential) to M (Medium Density Residential) on a property located approximately 597 feet north of Washington Avenue on the east side of Sandhill Road. The Planning Commission recommended approval and staff recommended denial. |
| | The City Council approved a request for Rezoning (ZON-53038) from R-2 (Medium-Low Density Residential) to R-3 (Medium Density Residential) on a property located approximately 597 feet north of Washington Avenue on the east side of Sandhill Road. The Planning Commission recommended approval and staff recommended denial. |
| | The City Council approved a request for Variance (VAR-53197) to allow a residential adjacency setback of 41 feet where 83 feet is required on a property located approximately 597 feet north of Washington Avenue on the east side of Sandhill Road. The Planning Commission recommended approval and staff recommended denial. |
| | The City Council approved a request for Site Development Plan Review (SDR-53040) for a proposed two-story 40 unit Apartment Complex on a property located approximately 597 feet north of Washington Avenue on the east side of Sandhill Road. The Planning Commission recommended approval and staff recommended denial. |
| 05/18/16 | The City Council approved a request for an Extension of Time (EOT-64015) of an approved Variance (VAR-53197) for a residential adjacency setback of 41 feet where 83 feet is required located approximately 597 feet north of Washington Avenue on the east side of Sandhill Road. Staff recommended approval. |
| | The City Council approved a request for an Extension of Time (EOT-64017) of an approved Site Development Plan Review (SDR-53040) for a proposed two-story 40-unit apartment complex located approximately 597 feet north of Washington Avenue on the east side of Sandhill Road. Staff recommended approval. |
| 05/02/18 | The City Council approved a request for an Extension of Time (EOT-72994) of a previously approved Variance (VAR-53197) for a residential adjacency setback of 41 feet where 83 feet is required located approximately 597 feet north of Washington Avenue on the east side of Sandhill Road. Staff recommended approval. |

| ***Related Relevant City Actions by P&D, Fire, Bldg., etc.*** | |
|---|---|
| 05/02/18 | The City Council approved a request for an Extension of Time (EOT-72995) of a previously approved Site Development Plan Review (SDR-53040) for a proposed two-story 40 unit apartment complex located approximately 597 feet north of Washington Avenue on the east side of Sandhill Road. Staff recommended approval. |
| 12/10/18 | Staff administratively approved a Minor Site Development Plan Review (SDR-74845) of a previously approved Site Development Plan Review (SDR-53040) for a proposed two-story 40-unit multi-family residential development at 947 North Sandhill Road. |

| ***Most Recent Change of Ownership*** | |
|---|---|
| 06/28/18 | A deed was recorded for a change in ownership. |

| ***Related Building Permits/Business Licenses*** |
|---|
| There are no related building permits or business licenses on record for the subject site. |

| ***Pre-Application Meeting*** | |
|---|---|
| 05/14/20 | A pre-application meeting was held with the applicant through email to discuss the submittal requirements for Extensions of Time. |

| ***Neighborhood Meeting*** |
|---|
| A neighborhood meeting was not required, nor was one held. |

| ***Field Check*** | |
|---|---|
| 06/03/20 | A routine field check was conducted by staff; nothing was noted of concern. |

| ***Details of Application Request*** | |
|---|---|
| ***Site Area*** | |
| Net Acres | 2.37 |

| ***Surrounding Property*** | ***Existing Land Use Per Title 19.12*** | ***Planned or Special Land Use Designation*** | ***Existing Zoning District*** |
|---|---|---|---|
| Subject Property | Undeveloped | M (Medium Density Residential) | R-3 (Medium Density Residential) |
| North | Drainage Channel | PF (Public Facilities) | N/A |
| South | Single Family, Detached | ML (Medium Low Density Residential) | R-CL (Single Family Compact Lot) |
| East | Undeveloped | | R-E (Residence Estates) |
| West | Single Family, Detached | L (Low Density Residential) | R-1 (Single Family Residential) |

| ***Master Plan Areas*** | ***Compliance*** |
|---|---|
| No Applicable Master Plan Area | N/A |
| ***Special Purpose and Overlay Districts*** | ***Compliance*** |
| No Applicable Special Purpose or Overlay Districts | N/A |
| ***Other Plans or Special Requirements*** | ***Compliance*** |
| Trails | N/A |
| Rural Preservation Overlay District | N/A |
| Las Vegas Redevelopment Plan Area | N/A |
| Development Impact Notification Assessment | N/A |
| Project of Regional Significance | N/A |

**DEVELOPMENT STANDARDS**

***Pursuant to Title 19.06, the following standards apply:***

| ***Standard*** | ***Required/Allowed*** | ***Provided*** | ***Compliance*** |
|---|---|---|---|
| Min. Lot Size | 6,500 SF | 99,752 SF | Y |
| Min. Setbacks | | | |
| • Front | 10 Feet | 25 Feet | Y |
| • Side | 5 Feet | 8 Feet | Y |
| • Rear | 20 Feet | 217 Feet | Y |
| Min. Distance Between Buildings | 10 Feet | 10 Feet | Y |
| Max. Building Height | 55 Feet | 27.5 Feet | Y |
| Trash Enclosure | Screened, Gated, w/ a Roof or Trellis | By Condition | Y |



AS

| *Residential Adjacency Standards* | *Required/Allowed* | *Provided* | *Compliance* |
|---|---|---|---|
| 3:1 proximity slope | 83 Feet | 41 Feet | N* |
| Adjacent development matching setback | | | |
| • Front | 14 Feet | 15 Feet | Y |
| • Side (South) | 10 Feet | 15 Feet | Y |
| Trash Enclosure | 50 Feet | 84 Feet | Y |

**Variance (VAR-53197) was approved to allow for the reduced residential adjacency setback.*

***Pursuant to 19.06, the following standards apply:***

| *Landscaping and Open Space Standards* | | | | |
|---|---|---|---|---|
| *Standards* | *Required* | | *Provided* | *Compliance* |
| | *Ratio* | *Trees* | | |
| Buffer Trees: | | | | |
| • North | 1 Tree / 20 Linear Feet | 34 Trees | 35 Trees | Y |
| • South | 1 Tree / 20 Linear Feet | 31Trees | 32 Trees | Y |
| • East | 1 Tree / 20 Linear Feet | 2 Trees | 2 Trees | Y |
| • West | 1 Tree / 20 Linear Feet | 13 Trees | 13 Trees | Y |
| **TOTAL PERIMETER TREES** | | **80 Trees** | **82 Trees** | **Y** |
| Parking Area Trees | 1 Tree / 6 Uncovered Spaces, plus 1 tree at the end of each row of spaces | 13 Trees | 29 Trees | Y |
| **LANDSCAPE BUFFER WIDTHS** | | | | |
| Min. Zone Width | | | | |
| • North | 6 Feet | | 6 Feet | Y |
| • South | 6 Feet | | 15 Feet | Y |
| • East | 6 Feet | | 6 Feet | Y |
| • West | 15 Feet | | 15 Feet | Y |
| Wall Height | 6 to 8 Feet Adjacent to Residential | | Not Indicated | Y |

| *Street Name* | *Functional Classification of Street(s)* | *Governing Document* | *Actual Street Width (Feet)* | *Compliance with Street Section* |
|---|---|---|---|---|
| Sandhill Road | Major Collector | Master Plan of Streets and Highways | 87 | Y |

***Pursuant to Title 19.08 and 19.12, the following parking standards apply:***

| ***Parking Requirement*** | | | | | | | |
|---|---|---|---|---|---|---|---|
| ***Use*** | ***Gross Floor Area or Number of Units*** | ***Required*** | | | ***Provided*** | | ***Compliance*** |
| | | ***Parking Ratio*** | *Parking* | | *Parking* | | |
| | | | Regular | Handi-capped | Regular | Handi-capped | |
| 1 Bedroom Apartment | 8 Units | 1.25 per Units | 10 | | | | |
| 2 Bedroom Apartment | 28 Units | 1.75 per Units | 49 | | | | |
| 3 Bedroom Apartment | 4 Units | 2 per Unit | 8 | | | | |
| Guest Parking | 40 Units Total | 1 per 6 units | 7 | | | | |
| **TOTAL SPACES REQUIRED** | | | 74 | | 74 | | Y |
| **Regular and Handicap Spaces Required** | | | 71 | 3 | 70 | 4 | Y |

# DEPARTMENT OF PLANNING | Application / Petition Form & Statement of Financial Interest

| Department Use | |
|---|---|
| Case # | |
| Meeting Date | |
| Total Fee | |
| Received By/Date | |

**Case Type** (Special Use Permit, Rezoning, Variance, Site Development Plan Review, etc) extension of time for Variance

**Project Address** (Location) Sandhill & Washington (947 N. Sandhill Rd.)

**Project Name** Sandhill & Washington **Proposed Use** Residential

**Assessor's Parcel #(s)** 140-30-601-006 **Ward #** 3

**General Plan:** Existing Medium Proposed N/A **Zoning:** Existing R-3 Proposed N/A

**Additional Information**

**Property Owner** Nevada New Builds LLC Contact Lerik Silva
Address 7312 West Cheyenne Ave. Suite 6 City Las Vegas State NV Zip 89129
E-mail leriksil@gmail.com Phone 858.229.5987

**Applicant** Nevada New Builds LLC Contact Lerik Silva
Address 7312 West Cheyenne Ave. Suite 6 City Las Vegas State NV Zip 89129
E-mail leriksil@gmail.com Phone 858.229.5987

**Representative** Lerik Silva Contact
Address 7312 West Cheyenne Ave. Suite 6 City Las Vegas State NV Zip 89129
E-mail leriksil@gmail.com Phone 858.229.5987

To the best of your knowledge, does the Mayor or any member of the City Council or Planning Commission have any financial interest in this or any other property with the property owner, applicant, the property owner or applicant's general or limited partners, or an officer of their corporation or limited liability company?

☐ Yes
☒ No

**If yes, please indicate the member of the City Council or Planning Commission who is involved and list the name(s) of the person or persons with whom the City Official holds an interest. Also list the Assessor's Parcel Number if the property in which the interest is held is different from the case parcel.**

**City Official** **Partner(s)**

**Partner(s)**

- I certify that I am the applicant and that the information submitted with this application is true and accurate to the best of my knowledge and belief. I understand that the City is not responsible for inaccuracies in information presented, and that inaccuracies, false information or incomplete application may cause the application to be rejected. I further certify that I am the owner or purchaser (or option holder) of the property involved in the application, or the lessee or agent fully authorized by the owner to make this submission, as indicated by the owner's signature below.
- Application will not be deemed complete until the submitted materials have been reviewed by Department of Planning for consistency with the Zoning Ordinance.

**Property Owner Signature**
An authorized agent may sign in lieu of the property owner for Final Maps, Tentative Maps and Parcel Maps

**Print Name** GLENN PLANTONE

Subscribed and sworn before me

This 15TH day of MAY, 20 20

STATE OF NEVADA, COUNTY OF CLARK

Notary Public in and for said County and State

Katherine Ann Ptasinski

KATHERINE ANN PTASINSKI
Notary Public, State of Nevada
Appointment No. 20-2613-01
My Appt. Expires Mar 6, 2024

PRJ-78775
05/18/20

# DEPARTMENT OF PLANNING

## Application / Petition Form & Statement of Financial Interest

**Department Use**

| |
|---|
| Case # |
| Meeting Date |
| Total Fee |
| Received By/Date |

**Case Type** (Special Use Permit, Rezoning, Variance, Site Development Plan Review, etc) extension of time for Site Development Review

**Project Address** (Location) Sandhill & Washington (947 N. Sandhill Rd.)

**Project Name** Sandhill & Washington **Proposed Use** Residential

**Assessor's Parcel #(s)** 140-30-601-006 **Ward #** 3

**General Plan:** Existing Medium Proposed N/A **Zoning:** Existing R-3 Proposed N/A

**Additional Information**

**Property Owner** Nevada New Builds LLC Contact Lerik Silva
Address 7312 West Cheyenne Ave. Suite 6 City Las Vegas State NV Zip 89129
E-mail leriksil@gmail.com Phone 858.229.5987

**Applicant** Nevada New Builds LLC Contact Lerik Silva
Address 7312 West Cheyenne Ave. Suite 6 City Las Vegas State NV Zip 89129
E-mail leriksil@gmail.com Phone 858.229.5987

**Representative** Lerik Silva Contact
Address 7312 West Cheyenne Ave. Suite 6 City Las Vegas State NV Zip 89129
E-mail leriksil@gmail.com Phone 858.229.5987

To the best of your knowledge, does the Mayor or any member of the City Council or Planning Commission have any financial interest in this or any other property with the property owner, applicant, the property owner or applicant's general or limited partners, or an officer of their corporation or limited liability company? ☐ Yes ☒ No

**If yes, please indicate the member of the City Council or Planning Commission who is involved and list the name(s) of the person or persons with whom the City Official holds an interest. Also list the Assessor's Parcel Number if the property in which the interest is held is different from the case parcel.**

**City Official** **Partner(s)**

**Partner(s)**

• I certify that I am the applicant and that the information submitted with this application is true and accurate to the best of my knowledge and belief. I understand that the City is not responsible for inaccuracies in information presented, and that inaccuracies, false information or incomplete application may cause the application to be rejected. I further certify that I am the owner or purchaser (or option holder) of the property involved in the application, or the lessee or agent fully authorized by the owner to make this submission, as indicated by the owner's signature below.

• Application will not be deemed complete until the submitted materials have been reviewed by Department of Planning for consistency with the Zoning Ordinance.

**Property Owner Signature**
An authorized agent may sign in lieu of the property owner for Final Maps, Tentative Maps and Parcel Maps

**Print Name** GLENN PLANTONE

Subscribed and sworn before me
This 15TH day of MAY, 20 20
STATE OF NEVADA, CLARK COUNTY
Notary Public in and for said County and State
Katherine Ann Ptasinski

KATHERINE ANN PTASINSKI
Notary Public, State of Nevada
Appointment No. 20-2613-01
My Appt. Expires Mar 6, 2024

PRJ-78775
05/18/20

## PROPERTY OWNER

CAMBRIDGE COMPANIES INC
9075 WEST DIABLO DRIVE, THIRD FLOOR
LAS VEGAS, NV 89148

## CONTACT

KGA ARCHITECTURE
9075 WEST DIABLO DRIVE, THIRD FLOOR
LAS VEGAS, NV 89148

## SITE ANALYSIS

| | |
|---|---|
| A.P.N. #: | 140-30-601-006 |
| CURRENT ZONING : | R-2 |
| PROPOSED ZONING : | R-3 |
| LOT AREA (GROSS) : | 2.37 ACRES |
| LOT AREA (NET) : | 2.19 ACRES |
| LOT COVERAGE (NET) : | 21.0% |
| FLOOR AREA RATIO (NET) : | 1 : 2.51 |
| RESIDENTIAL UNITS PER ACRE (GROSS) : | 16.87 |

## BUILDING ANALYSIS

| | |
|---|---|
| PROPOSED TWO-STORY APARTMENT BUILDING (1) : | 19,480 |
| PROPOSED TWO-STORY APARTMENT BUILDING (2) : | 19,480 |
| PROPOSED ONE-STORY SUPPORT BUILDING (3) : | 1,979 |
| TOTAL SQUARE FOOTAGE : | 40,939 |

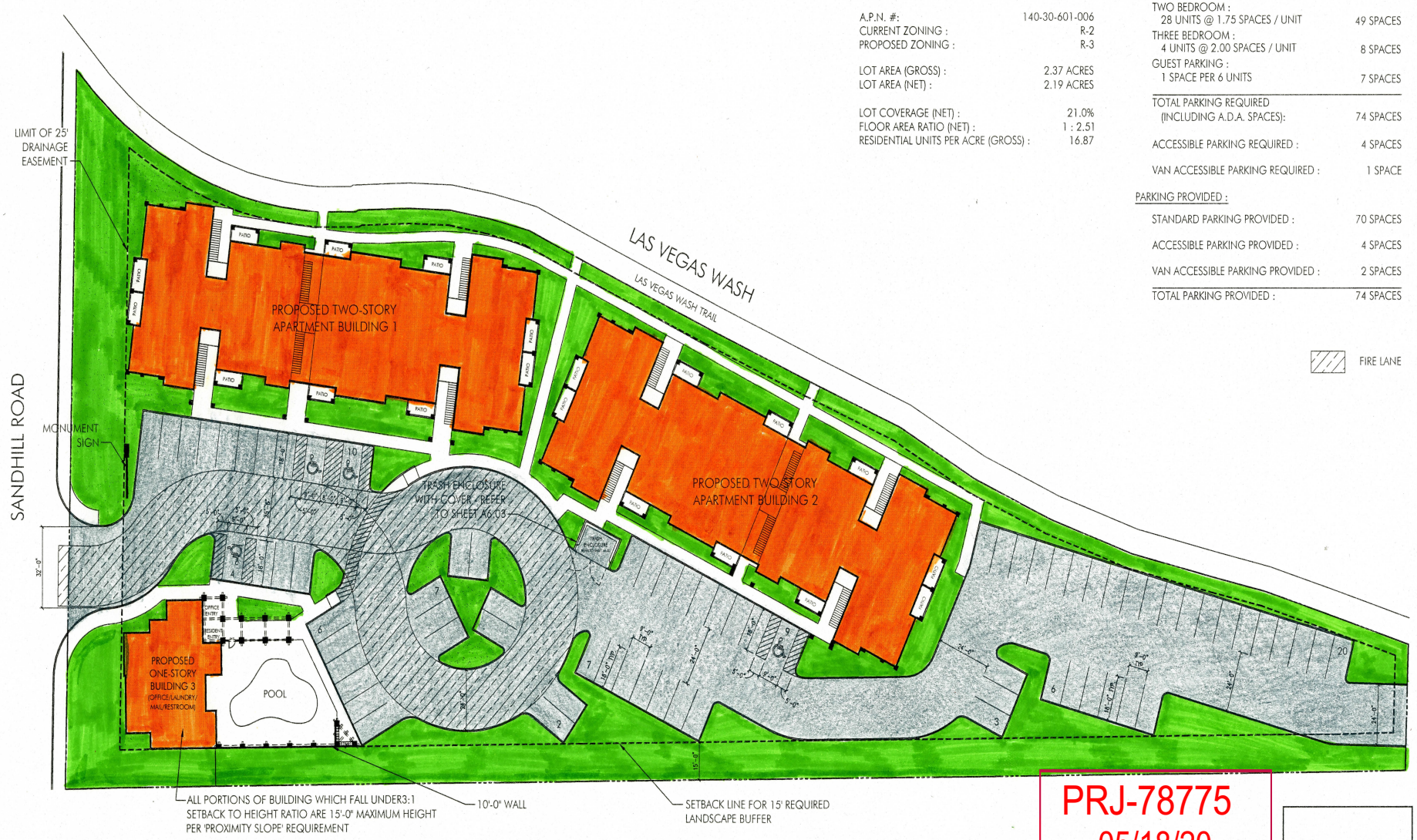
## PARKING ANALYSIS

PARKING REQUIRED (BY RESIDENTIAL UNIT TYPE) :

| | |
|---|---|
| ONE BEDROOM : 8 UNITS @ 1.25 SPACES / UNIT | 10 SPACES |
| TWO BEDROOM : 28 UNITS @ 1.75 SPACES / UNIT | 49 SPACES |
| THREE BEDROOM : 4 UNITS @ 2.00 SPACES / UNIT | 8 SPACES |
| GUEST PARKING : 1 SPACE PER 6 UNITS | 7 SPACES |
| TOTAL PARKING REQUIRED (INCLUDING A.D.A. SPACES): | 74 SPACES |
| ACCESSIBLE PARKING REQUIRED : | 4 SPACES |
| VAN ACCESSIBLE PARKING REQUIRED : | 1 SPACE |

PARKING PROVIDED :

| | |
|---|---|
| STANDARD PARKING PROVIDED : | 70 SPACES |
| ACCESSIBLE PARKING PROVIDED : | 4 SPACES |
| VAN ACCESSIBLE PARKING PROVIDED : | 2 SPACES |
| TOTAL PARKING PROVIDED : | 74 SPACES |




PRJ-78775
05/18/20

SANDHILL VILLAS APARTMENTS
LAS VEGAS, NEVADA

KGA ARCHITECTURE
9075 West Diablo Drive, Third Floor
Las Vegas, Nevada 89148
702.367.3990
1701 Directors Boulevard, Suite 770
Austin, Texas 78744
512.441.8500
AUSTIN
LAS VEGAS
www.KGAarchitecture.com

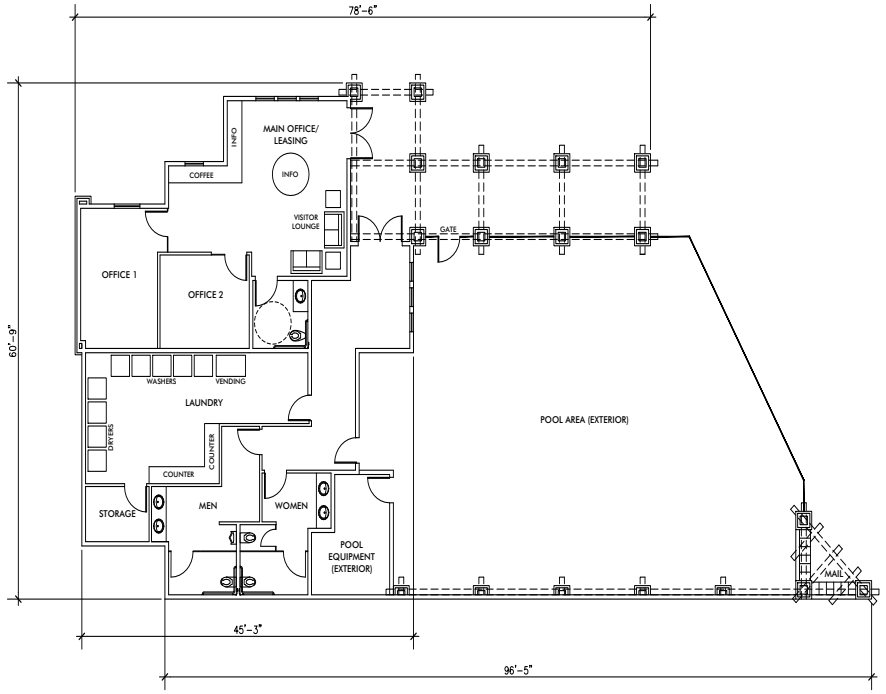
REVISIONS:

CONSULTANTS:

PROJECT: SANDHILL VILLAS APARTMENTS
SHEET CONTENTS: SITE PLAN
DATE: APRIL 23, 2014
JOB NO.: 14169.00
SHEET: AS1.01

## SITE PLAN

SCALE: 1" = 20'-0"




BUILDING 3 (OFFICE/LAUNDRY/MAIL/RESTROOMS) - FIRST FLOOR PLAN

SCALE: 1/8" = 1'-0"

0' 4' 8' 16'



PRJ-78775
05/18/20

REVISIONS:

SANDHILL VILLAS
APARTMENTS

LAS VEGAS, NEVADA

KGA ARCHITECTURE

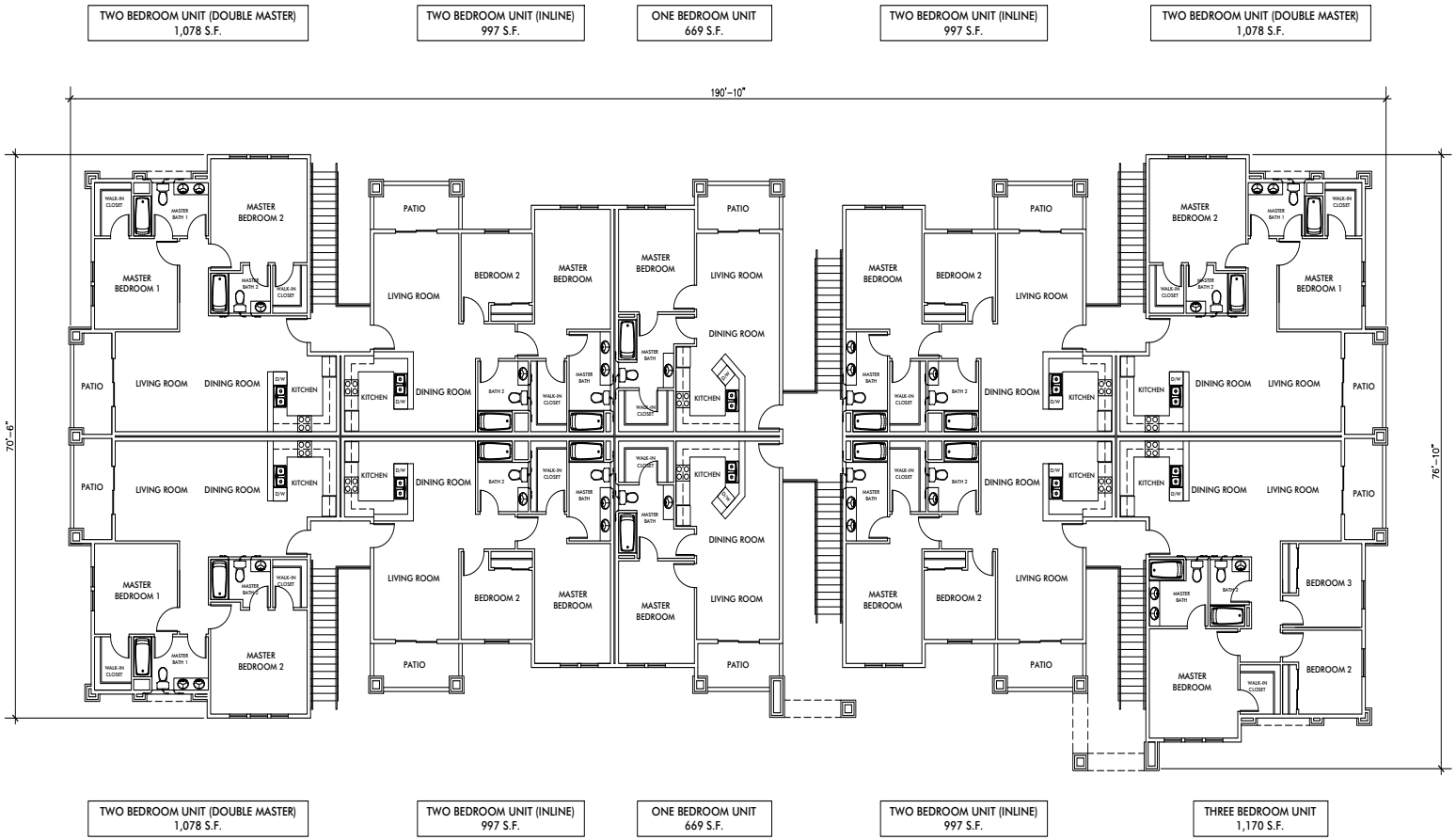
CONSULTANTS:

PROJECT:
SANDHILL VILLAS
APARTMENTS

SHEET CONTENTS:
FLOOR PLAN -
BUILDING 3

DATE:
APRIL 23, 2014
JOB NO.:
14169.00

SHEET:
A1.03




BUILDING 2 - FIRST AND SECOND FLOOR PLAN

SCALE: 1/8" = 1'-0"

0' 4' 8' 16'



PRJ-78775
05/18/20

REVISIONS:

SANDHILL VILLAS APARTMENTS
NEVADA
LAS VEGAS

KGA ARCHITECTURE

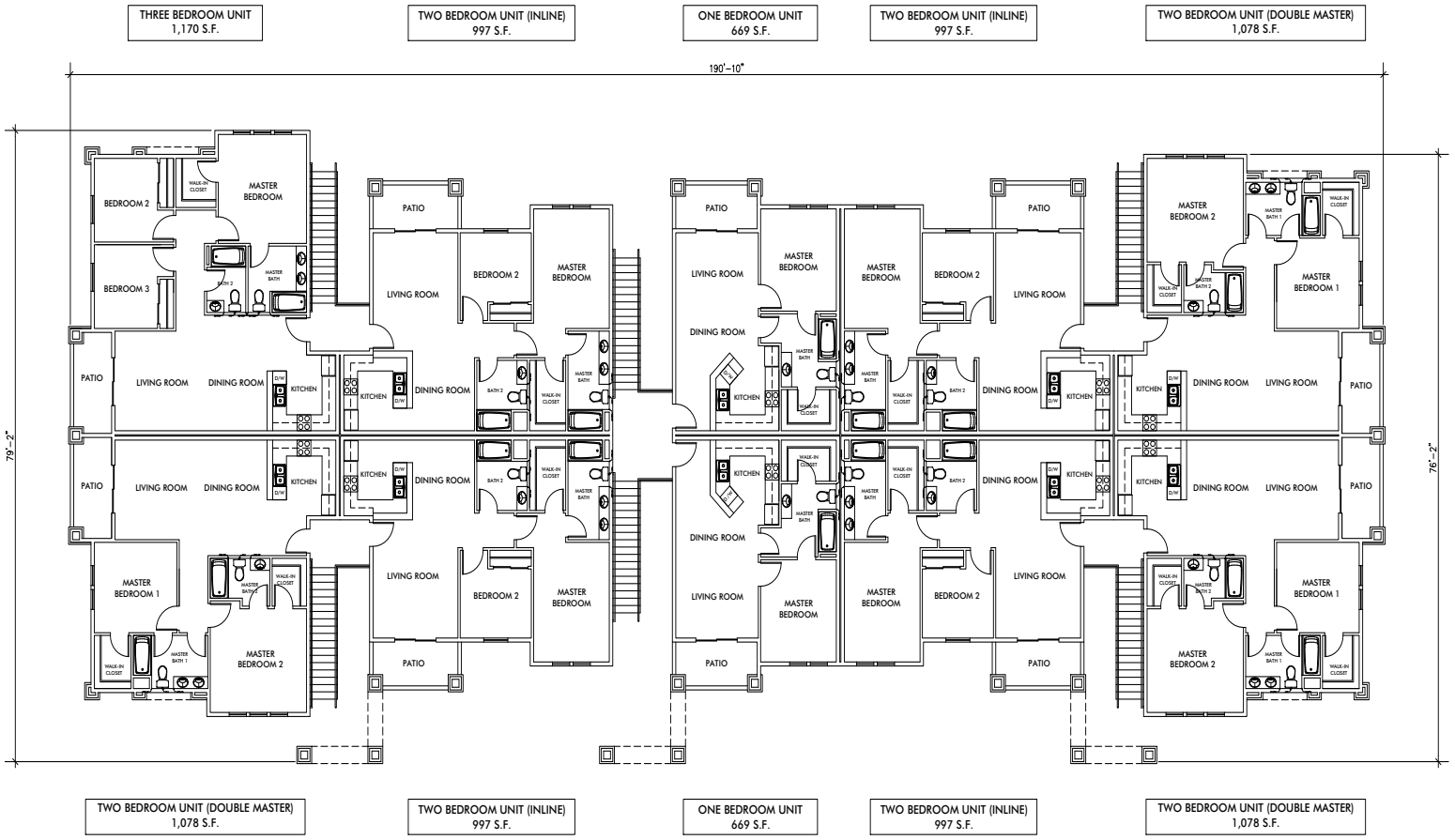
CONSULTANTS:

PROJECT:
SANDHILL VILLAS APARTMENTS

SHEET CONTENTS:
FLOOR PLAN - BUILDING 2

DATE:
FEBRUARY 18, 2014
JOB NO.:
14169.00

SHEET:
A1.02




City Council - Page 652

0' 4' 8' 16'

## BUILDING 1 - FIRST AND SECOND FLOOR PLAN

SCALE: 1/8" = 1'-0"

PRJ-78775
05/18/20

REVISIONS:

SANDHILL VILLAS
APARTMENTS

LAS VEGAS, NEVADA

KGA ARCHITECTURE

CONSULTANTS:

PROJECT:
SANDHILL VILLAS
APARTMENTS

SHEET CONTENTS:
FLOOR PLAN -
BUILDING 1

DATE:
FEBRUARY 18, 2014
JOB NO.:
14169.00

SHEET:
A1.01

# COLORED ELEVATION:




# COLORS AND MATERIALS:



E1



E2



E3



E4



E9



E5, E15



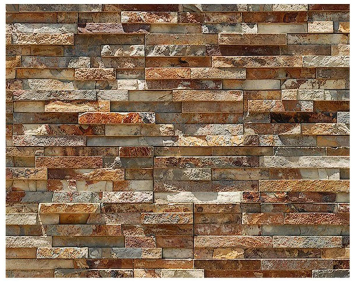
E6, E15, E16



E7, E12, E14



E13



E8

## ELEVATION NOTES

| E-# | DESCRIPTION |
|---|---|
| E1 | E.I.F.S. (EXTERIOR INSULATED FINISH SYSTEM)<br>COLOR: SHERWIN WILLIAMS SW7703 EARTHEN JUG<br>TEXTURE: SANDPEBBLE |
| E2 | E.I.F.S.<br>COLOR: SHERWIN WILLIAMS SW6116 TATAMI TAN<br>TEXTURE: SANDPEBBLE |
| E3 | E.I.F.S.<br>COLOR: SHERWIN WILLIAMS SW6088 NUTHATCH<br>TEXTURE: SANDPEBBLE |
| E4 | E.I.F.S.<br>COLOR: SHERWIN WILLIAMS SW7617 MEDITERRANEAN<br>TEXTURE: SANDPEBBLE |
| E5 | E.I.F.S.<br>COLOR: SHERWIN WILLIAMS SW7524 DHURRIE BEIGE<br>TEXTURE: SANDPEBBLE |
| E6 | E.I.F.S.<br>COLOR: SHERWIN WILLIAMS SW7553 FRAGILE BEAUTY<br>TEXTURE: SANDPEBBLE FINE |
| E7 | E.I.F.S.<br>COLOR: SHERWIN WILLIAMS SW6006 BLACK BEAN<br>TEXTURE: SANDPEBBLE FINE |
| E8 | LEDGE STONE VENEER<br>MANUFACTURER: APACHE STONE<br>COLOR: AUTUMN ROSE |
| E9 | STANDING SEAM METAL ROOF<br>MANUFACTURER: FIRESTONE<br>FINISH: METALLIC<br>COLOR: CLASSIC COPPER |
| E10 | GLAZING<br>FRAME COLOR: WHITE |
| E11 | SLIDING GLASS DOORS<br>FRAME COLOR: WHITE |
| E12 | WROUGHT IRON RAILING<br>COLOR: SHERWIN WILLIAMS SW6006 BLACK BEAN |
| E13 | DOOR WITH GLAZING<br>COLOR: SHERWIN WILLIAMS SW6230 RAINSTORM |
| E14 | DECORATIVE TRELLIS ELEMENT<br>COLOR: SHERWIN WILLIAMS SW6006 BLACK BEAN |
| E15 | DECORATIVE METAL GATES WITH SOLID METAL INFILL<br>FRAME COLOR: SHERWIN WILLIAMS SW7553 FRAGILE BEAUTY<br>INFILL COLOR: SHERWIN WILLIAMS SW7524 DHURRIE BEIGE |
| E16 | PAINTED TUBE STEEL FRAMING<br>COLOR: SHERWIN WILLIAMS SW7553 FRAGILE BEAUTY |

PRJ-78775
05/18/20

REVISIONS:

SANDHILL VILLAS APARTMENTS
LAS VEGAS, NEVADA

KGA ARCHITECTURE
9075 West Diablo Drive, Third Floor
Las Vegas, Nevada 89148
702.367.6900
1701 Directors Boulevard, Suite 770
Austin, Texas 78744
512.441.8200
www.KGAarchitecture.com
LAS VEGAS
AUSTIN

CONSULTANTS:

PROJECT:
SANDHILL VILLAS APARTMENTS

SHEET CONTENTS:
COLOR AND MATERIALS

DATE:
FEBRUARY 18, 2014
JOB NO.:
14169.00

SHEET:
A6.04



**EOT-78792 AND EOT-78793 [PRJ-78775] - APPLICANT/OWNER: NEVADA NEW BUILDERS, LLC**
**NORTH OF WASHINGTON AVENUE, ON THE EAST SIDE OF SANDHILL ROAD**

06/03/20



**EOT-78792 AND EOT-78793 [PRJ-78775] - APPLICANT/OWNER: NEVADA NEW BUILDERS, LLC**
**NORTH OF WASHINGTON AVENUE, ON THE EAST SIDE OF SANDHILL ROAD**

06/03/20

**LAS VEGAS CITY COUNCIL**

CAROLYN G. GOODMAN
*Mayor*

LOIS TARKANIAN
*Mayor Pro Tem*

STAVROS S. ANTHONY
BOB COFFIN
STEVEN G. SEROKA
MICHELE FIORE
CEDRIC CREAR

SCOTT D. ADAMS
*City Manager*

May 3, 2018

First Terrafund, Inc. & Nevada New Builds, LLC
7570 Norman Rockwell Lane, Suite #140
Las Vegas, Nevada 89143

***RE: EOT-72994 – EXTENSION OF TIME - VARIANCE***
***CITY COUNCIL MEETING OF MAY 2, 2018***

Dear Applicant:

The City Council at a regular meeting held on May 2, 2018 voted to ***APPROVE*** a request for an Extension of Time of an approved Variance (VAR-53197) FOR A RESIDENTIAL ADJACENCY SETBACK OF 41 FEET WHERE 83 FEET IS REQUIRED on 2.29 acres located approximately 597 feet north of Washington Avenue on the east side of Sandhill Road (APN 140-30-601-006), R-3 (Medium Density Residential) Zone, Ward 3 (Coffin) [PRJ-72984].

This approval is subject to the following conditions:

***Planning***

1. This Variance (VAR-53197) shall expire on May 21, 2020 unless another Extension of Time is approved by the City Council.

2. Conformance to the conditions of approval of Variance (VAR-53197), Site Development Plan Review (SDR-53040) and all other site related actions as required by the Department of Planning and Department of Public Works.

The Notice of Final Action was filed with the Las Vegas City Clerk on May 3, 2018.

Sincerely,

Robert Summerfield, AICP
Director
Department of Planning

RTS:clb

cc: Mr. Glenn Plantone
Nevada New Builds, LLC
7570 Norman Rockwell Lane, Suite #140
Las Vegas, Nevada 89143

Mr. George Garcia
GC Garcia, Inc.
1055 Whitney Ranch Drive, Suite #210
Henderson, Nevada 89014

PRJ-78775
05/18/20

DEPARTMENT OF PLANNING
**ROBERT SUMMERFIELD**
DIRECTOR

**DEVELOPMENT SERVICES CENTER**
DEPARTMENT OF PLANNING
333 N. RANCHO DRIVE
3RD FLOOR
LAS VEGAS, NV 89106
702.229.6301 | VOICE
702.474.7463 | FAX
711 | TTY

cityoflasvegas
lasvegasnevada.gov

# Nevada New Builds LLC

**7312 West Cheyenne Avenue Suite 6**
**Las Vegas, NV 89129**
**702-656-3264**

May 16, 2020

Robert Summerfield, Director Planning
Department City of Las Vegas
333 N. Rancho Drive
Las Vegas, NV 89106

RE: Justification Letter for - Multi-Family at Sandhill EOTs Request: 3rd Extension of Time for SDR-53040 & VAR-53197 APN: 140-30-601-006

Dear Mr. Summerfield:

Please accept this justification letter as a 3rd Extension of time for both a Site Development Review and a Variance. The proposed project is located on a 2.37 +/- acre parcel located near Sandhill Road and Washington Avenue, abutting the flood channel. The 2nd EOT was approved by the City Council on May 02, 2018.

The request is for an additional two-year Extension for the SDR-53040 and VAR-53197 to allow for 40 units. The EOT will be subject to any conditions of approval.

Contracts were being finalized with a buyer/developer in place for the project. Unfortunately, the current pandemic situation has caused that contract to fall through. As you are aware, the expiration on this extension is on the 21st of this month. This predicament has put us in a situation where we would need more time to either find a new developer or develop it ourselves.

The intent for site development design has not changed. This EOT will allow us to follow through with the goals contemplated by the approved GPA-53037 & ZON- 53058.

The proposed design includes two, 2-story apartment buildings that abut the Las Vegas Wash. Each building is about 19,500 square feet. The unit mix is 8 - 1 bedroom; 28 – 2 bedroom and 4 – 3 bedroom. The required parking is met with 74 spaces. Density is 16.87.

A 2,200 square foot pool club house is provided as an amenity. A 15-foot landscape dense buffer is provided along the abutting homes. Additional landscaping and buffering are provided between the existing homes and the buildings as well.

All three buildings share the same integrated design to provide a cohesive appearance. The buildings include articulation in the roof line and building facades. Materials include stone, stucco, and copper looking metal seam roof. Colors are desert colors with some accents to add variety and interest.

The result is a plan and building design that promotes quality that is sensitive to the surrounding conditions and constraints.

There has been no substantial change in the neighborhood and the project still meets the requirement for approval of an SDR & VAR.

PRJ-78775
05/18/20

## APPROVAL CRITERIA FOR A SITE DEVELOPMENT REVIEW

The site plan design has not changed since the previous submittal and meets the criteria's below for the site development review

1. **Compatibility with adjacent development and development in the area;**

2. **Consistent with the General Plan, City plans, policies andstandards**

3. **Site access and circulation do not negatively impact adjacent roadways or neighborhood traffic**

4. **Building and landscape materials are appropriate for the area, the City and existing commercial;**

5. **Building elevations and design characteristics are ascetically pleasing and create an orderly and pleasant environment; and are harmonious and compatible with development in the area**

6. **Appropriate measures will be taken to secure and protect the public health, safety and general welfare through the design.**

## APPROVAL CRITERIA FOR A VARIANCE LVMC 19.16.140

1. **Variance Determinations-Approval**

2. **Where by reason of exceptional narrowness, shallowness, or shape of a specific piece of property at the time of the enactment of the regulation, or by reason of exceptional topographic conditions or other extraordinary and exceptional situation or condition of the piece of property, the strict application of any zoning regulation would result in peculiar and exceptional practical difficulties to, or exceptional and undue hardships upon, the owner of the property, a variance from that strict application may be granted so as to relieve the difficulties or hardship, if the relief may be granted without substantial detriment to the public good, without substantial impairment of affected natural resources and without substantially impairing the intent and purpose of any ordinance or resolution.**

## SUMMARY JUSTIFICATION

In summary, we respectfully request a two year third EOT for the SDR & VAR until May 16, 2022. The project advances the overall objectives of the City's General Plan and Development Codes.

Should you have any questions and or concerns please feel free to contact me at your earliest convenience.

Sincerely,

Lerik Silva

Lerik Silva, VPO
US New Builds
858.229.5987

PRJ-78775
05/18/20

# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**39**

**DEPARTMENT: Planning** **CONSENT**
**DIRECTOR: Robert Summerfield**

**SUBJECT:**
EOT-78793 - EXTENSION OF TIME RELATED TO EOT-78792 - SITE DEVELOPMENT PLAN REVIEW - APPLICANT/OWNER: NEVADA NEW BUILDS, LLC - For possible action on a request for the third Extension of Time of an approved Site Development Plan Review (SDR-53040) FOR A PROPOSED TWO-STORY 40 UNIT APARTMENT COMPLEX on 2.29 acres located approximately 597 feet north of Washington Avenue on the east side of Sandhill Road (APN 140-30-601-006), R-3 (Medium Density Residential) Zone, Ward 3 (Diaz) [PRJ-78775]. Staff recommends APPROVAL.

| **PROTESTS RECEIVED BEFORE:** | | **APPROVALS RECEIVED BEFORE:** | |
|---|---|---|---|
| Planning Commission Mtg. | 0 | Planning Commission Mtg. | 0 |
| City Council Meeting | 0 | City Council Meeting | 0 |

**RECOMMENDATION:**
Staff recommends APPROVAL, subject to conditions:

**BACKUP DOCUMENTATION:**
1. Consolidated Backup
2. City Council Approval Letter - EOT-72995]

**Consistent with the City's sustainability efforts to reduce paper use, backup documentation pertaining to related items will appear as backup under the first item. This item includes such consolidated backup documentation. Please refer to the first related application in the subject line of the Agenda Summary Page.**

**LAS VEGAS CITY COUNCIL**

CAROLYN G. GOODMAN
*Mayor*

LOIS TARKANIAN
*Mayor Pro Tem*

STAVROS S. ANTHONY
BOB COFFIN
STEVEN G. SEROKA
MICHELE FIORE
CEDRIC CREAR

SCOTT D. ADAMS
*City Manager*

DEPARTMENT OF PLANNING

**ROBERT SUMMERFIELD**
DIRECTOR

**DEVELOPMENT SERVICES CENTER**
DEPARTMENT OF PLANNING
333 N. RANCHO DRIVE
3RD FLOOR
LAS VEGAS, NV 89106
702.229.6301 | VOICE
702.474.7463 | FAX
711 | TTY

cityoflasvegas
lasvegasnevada.gov

May 3, 2018

First Terrafund, Inc. & Nevada New Builds, LLC
7570 Norman Rockwell Lane, Suite #140
Las Vegas, Nevada 89143

***RE: EOT-72995 – EXTENSION OF TIME RELATED TO EOT-72994 - SITE DEVELOPMENT PLAN REVIEW***
***CITY COUNCIL MEETING OF MAY 2, 2018***

Dear Applicant:

The City Council at a regular meeting held on May 2, 2018 voted to ***APPROVE*** a request for an Extension of Time of a Site Development Plan Review (SDR-53040) FOR A PROPOSED TWO-STORY 40 UNIT APARTMENT COMPLEX on 2.29 acres located approximately 597 feet north of Washington Avenue on the east side of Sandhill Road (APN 140-30-601-006), R-3 (Medium Density Residential) Zone, Ward 3 (Coffin) [PRJ-72984].

This approval is subject to the following conditions:

***Planning***

1. This Site Development Plan Review (SDR-53040) shall expire on May 21, 2020 unless another Extension of Time is approved by the City Council.
2. Conformance to the conditions of approval of Site Development Plan Review (SDR-53040), Variance (VAR-53197) and all other site related actions as required by the Department of Planning and Department of Public Works.

The Notice of Final Action was filed with the Las Vegas City Clerk on May 3, 2018.

Sincerely,

Robert Summerfield

Robert Summerfield, AICP
Director
Department of Planning

RTS:clb

cc: Mr. Glenn Plantone
Nevada New Builds, LLC
7570 Norman Rockwell Lane, Suite #140
Las Vegas, Nevada 89143

Mr. George Garcia
GC Garcia, Inc.
1055 Whitney Ranch Drive, Suite #210
Henderson, Nevada 89014

PRJ-78775
05/18/20

# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**40**

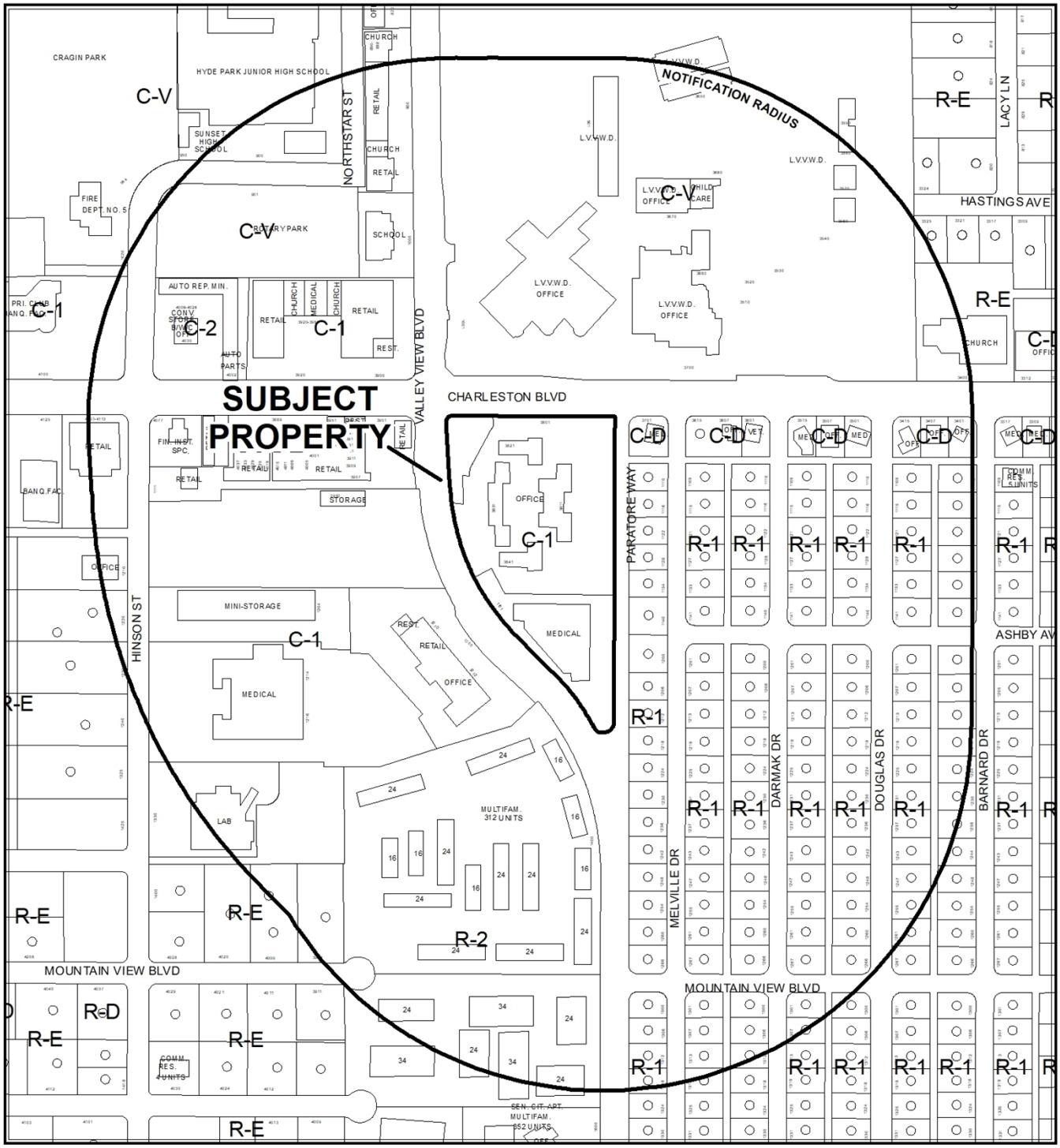
**DEPARTMENT: Planning** **DISCUSSION**
**DIRECTOR: Robert Summerfield**

**SUBJECT:**
SDR-78245 - ABEYANCE ITEM - SITE DEVELOPMENT PLAN REVIEW - PUBLIC HEARING - APPLICANT: MO CONSTRUCTION, LLC - OWNER: CVV, LLC - For possible action on a request for a Site Development Plan Review FOR A PROPOSED 3,855 SQUARE-FOOT COMMERCIAL BUILDING WITH DRIVE THROUGH WITH A WAIVER TO NOT ORIENT THE BUILDING TO THE CORNER WHERE SUCH IS REQUIRED AND TO ALLOW A WAIVER OF TITLE 19 LANDSCAPE BUFFER STANDARDS on 0.43 acres at 3801 West Charleston Boulevard (APN 162-06-501-002), C-1 (Limited Commercial) Zone, Ward 1 (Knudsen) [PRJ-78111]. The Planning Commission (6-0 vote) and Staff recommend DENIAL.

| **PROTESTS RECEIVED BEFORE:** | | **APPROVALS RECEIVED BEFORE:** | |
|---|---|---|---|
| Planning Commission Mtg. | 2 | Planning Commission Mtg. | 0 |
| City Council Meeting | 9 | City Council Meeting | 2 |

**RECOMMENDATION:**
The Planning Commission (6-0 vote) and Staff recommend DENIAL.

**BACKUP DOCUMENTATION:**
1. Location and Aerial Maps
2. Conditions and Staff Report
3. Supporting Documentation
4. Photo(s)
5. Justification Letter
6. Backup Submitted for the April 15, 2020 City Council Meeting
7. Submitted after Final Agenda - Abeyance Request Letter Submitted by Applicant
8. Backup Submitted for the March 10, 2020 Planning Commission Meeting




**CASE:** **SDR-78245 (PRJ-78111)**

**RADIUS:** 1000 FEET

**ZONING OF SUBJECT PROPERTY:** C-1 (LIMITED COMMERCIAL)




**CASE:** **SDR-78245 (PRJ-78111)**

**RADIUS:** 1000 FEET

**ZONING OF SUBJECT PROPERTY:** C-1 (LIMITED COMMERCIAL)

City of Las Vegas

## *AGENDA MEMO - PLANNING*

**CITY COUNCIL MEETING DATE: JULY 8, 2020**
**DEPARTMENT: PLANNING**
**ITEM DESCRIPTION: APPLICANT: MO CONSTRUCTION, LLC - OWNER: CVV, LLC**

## ** STAFF RECOMMENDATION(S) **

| *CASE NUMBER* | *RECOMMENDATION* | *REQUIRED FOR APPROVAL* |
|---|---|---|
| **SDR-78245** | Staff recommends DENIAL, if approved subject to conditions: | |

## ** NOTIFICATION **

**NEIGHBORHOOD ASSOCIATIONS NOTIFIED** 33

**NOTICES MAILED** 181 (By City Clerk)

**PROTESTS** 11

**APPROVALS** 2



CS

** CONDITIONS **

# SDR-78245 CONDITIONS

***Planning***

1. This approval shall be void two years from the date of final approval, unless exercised pursuant to the provisions of LVMC Title 19.16. An Extension of Time may be filed for consideration by the City of Las Vegas.

2. All development shall be in conformance with the site plan, landscape plan, and building elevations, date stamped 01/16/20, except as amended by conditions herein.

3. A Waiver from Title 19.08.040 is hereby approved, to allow the proposed building to not orient to the corner where such is required.

4. A Waiver from Title 19.08.070 is hereby approved, to allow a six-foot landscape buffer width along a portion of the west property line where 15 feet is required.

5. All necessary building permits shall be obtained and final inspections shall be completed in compliance with Title 19 and all codes as required by the Department of Building and Safety.

6. These Conditions of Approval shall be affixed to the cover sheet of any plan set submitted for building permit.

7. A technical landscape plan, signed and sealed by a Registered Architect, Landscape Architect, Residential Designer or Civil Engineer, must be submitted prior to or at the same time application is made for a building permit. A permanent underground sprinkler system is required, and shall be permanently maintained in a satisfactory manner; the landscape plan shall include irrigation specifications. Installed landscaping shall not impede visibility of any traffic control device.

8. A fully operational fire protection system, including fire apparatus roads, fire hydrants and water supply, shall be installed and shall be functioning prior to construction of any combustible structures.

9. All City Code requirements and design standards of all City Departments must be satisfied, except as modified herein.

***Public Works***

10. Prior to the issuance of any permits, dedicate, but do not construct, a portion of a bus turnout on Charleston Boulevard as required by the City Traffic Engineer.

11. The sidewalk along Charleston Boulevard and Valley View Boulevard adjacent to this site shall meet Public Right-of-Way Accessibility Guidelines (PROWAG) in accordance with code requirements of Title 13.56.040 to the satisfaction of the City Engineer concurrent with development of this site. Grant any Pedestrian Access Easement needed to complete this requirement.

12. This site shall connect to the public sewer in Charleston Boulevard.

13. Landscape and maintain all unimproved right-of-way, if any, adjacent to this site. All landscaping and private improvements installed with this project shall be situated and maintained so as to not create sight visibility obstructions for vehicular traffic at all development access drives and abutting street intersections.

14. A Traffic Impact Analysis must be submitted to and approved by the Department of Public Works prior to the issuance of any building or grading permits, submittal of any construction drawings or the recordation of a Map subdividing this site, whichever may occur first. Comply with the recommendations of the approved Traffic Impact Analysis prior to occupancy of the site. The Traffic Impact Analysis shall include a pedestrian circulation/access plan to identify nearby pedestrian attractors and recommend measures to accommodate pedestrians, such as but not limited to pedestrian access, crosswalk, pedestrian activated flashers and temporary sidewalks. The Traffic Impact Analysis shall also include a section addressing Standard Drawings #234.1 #234.2 and #234.3 to determine additional right-of-way requirements for bus turnouts adjacent to this site, if any; dedicate all areas recommended by the approved Traffic Impact Analysis. All additional rights of way required by Standard Drawing #201.1 for exclusive right turn lanes and dual left turn lanes shall be dedicated prior to or concurrent with the commencement of on site development activities unless specifically noted as not required in the approved Traffic Impact Analysis. Phased compliance will be allowed if recommended by the approved Traffic Impact Analysis. No recommendation of the approved Traffic Impact Analysis, nor compliance therewith, shall be deemed to modify or eliminate any condition of approval imposed by the Planning Commission or the City Council on the development of this site.

15. Meet with the Flood Control Section of the Department of Public Works for assistance with establishing finished floor elevations and drainage paths for this site prior to submittal of construction plans, the issuance of any building or grading permits, whichever may occur first. Provide and improve all drainage ways as recommended.

# ** STAFF REPORT **

## PROJECT DESCRIPTION

This is a request for a Site Development Plan Review to allow a 3,855 square-foot commercial building with a drive through at 3801 West Charleston Boulevard.

## ISSUES

- A Waiver from Title 19.08.040 development standards has been requested to not orient the building to the corner where such is required. Staff does not support the request.
- A Waiver from Title 19.08.070 development standards has been requested to allow a six-foot landscape buffer along a portion of the west property line where 15 feet is required. Staff does not support the request.

## ANALYSIS

The subject site has a zoning designation of C-1 (Limited Commercial) and abuts a property currently developed with an 85,622 square-foot office complex and two-story parking garage. The applicant proposes to construct a 3,855 square-foot commercial building with a Drive Through. The submitted floor plan depicts two 1,025 square-foot tenant spaces to be utilized for a general commercial use and a 1,805 square-foot tenant space to be utilized as a Restaurant with Drive Through. Per the submitted justification letter, the intended tenant for the Restaurant with Drive Through is Dunkin Donuts. The proposed Drive-Through is listed as a conditional land use in the C-1 (Limited Commercial) zoning district.

### Drive Through Conditional Use Regulations:

1. A single-station drive-through shall have a stacking lane that will accommodate a minimum of six vehicles, including the vehicle at the station. A multiple-station drive-through shall have stacking lanes that will accommodate a minimum of three vehicles per station, including the vehicle at that station.

*The submitted site plan indicates that the proposed drive through will be a single station drive-through and will provide stacking lanes which will accommodate eight vehicles.*

2. The drive-through shall be screened in accordance with LVMC 19.08.040(F).

*The submitted landscaping plan indicates that the proposed development will provide additional landscaping materials within the existing landscape buffers as previously approved through Plot Plan Review (Z-0103-87). A total of 18 24-inch box trees and a large variety of shrubs are proposed within the landscape buffers. Staff finds this is adequate to provide thorough screening of the proposed drive through. In addition, there is also an existing retaining wall along the perimeter which will remain.*

Title 19 requires proposed buildings on corner lots to be oriented to the corner and to the street fronts in order to maintain a strong street edge. The applicant requests to set the proposed building back away from the minimum building setback line in order to keep the existing parking adjacent to the north property line. The proposed single lane drive through encroaches into the existing west landscape buffer for which a Wavier has been requested. Staff does not support the request.

While a commercial use is appropriate for the subject site, the proposed development as designed is not compatible and harmonious with the surrounding and future land development in the area. This is evidenced by the requested associated Waivers regarding building orientation and landscape buffer requirements. Therefore, staff recommends denial of the requested Site Development Plan Review. If approved, the entitlement will be subject to conditions.

## FINDINGS (SDR-78245)

In order to approve a Site Development Plan Review application, per Title 19.16.100(E) the Planning Commission and/or City Council must affirm the following:

1. **The proposed development is compatible with adjacent development and development in the area;**

   As evidenced by the associated Waiver requests, the proposed development is not compatible with the adjacent development and development in the area.

2. **The proposed development is consistent with the General Plan, this Title, and other duly-adopted city plans, policies and standards;**

   This project is consistent with the General Plan and the uses allowed in the C-1 (Limited Commercial) zoning district. However, the proposed development fails to meet Title 19 requirements regarding building orientation and landscape buffer width requirements.

3. **Site access and circulation do not negatively impact adjacent roadways or neighborhood traffic;**

   The site is accessed from Charleston Boulevard, a 100-foot Primary Arterial as designated by the Master Plan of Streets and Highways.

4. **Building and landscape materials are appropriate for the area and for the City;**

   The proposed building materials consists of brick veneer and stucco which are compatible with the existing office development at the subject site. The proposed landscape materials adhere to the Southern Nevada Regional Plant list recommendations.

5. **Building elevations, design characteristics and other architectural and aesthetic features are not unsightly, undesirable, or obnoxious in appearance; create an orderly and aesthetically pleasing environment; and are harmonious and compatible with development in the area;**

   The submitted building elevations are consistent with the desert environment and surrounding commercial land uses.

6. **Appropriate measures are taken to secure and protect the public health, safety and general welfare.**

   The proposed development is subject to permit review and inspection; therefore, appropriate measures will be taken to protect the health, safety and general welfare.

## BACKGROUND INFORMATION

| ***Related Relevant City Actions by Planning, Fire, Bldg., etc*** | |
|---|---|
| 10/04/89 | The City Council approved Plot Plan Review (Z-0103-87) to allow an office complex on property located on the southeast corner of Charleston Boulevard. The Planning Commission recommended approval. |
| 03/10/20 | The Planning Commission unanimously voted to recommend DENIAL on a request for a Site Development Plan Review (SDR-78245) FOR A PROPOSED 3,855 SQUARE-FOOT COMMERCIAL BUILDING WITH DRIVE THROUGH WITH A WAIVER TO NOT ORIENT THE BUILDING TO THE CORNER WHERE SUCH IS REQUIRED AND TO ALLOW A WAIVER OF TITLE 19 LANDSCAPE BUFFER STANDARDS on 0.43 acres at 3801 West Charleston Boulevard (APN 162-06-501-002), C-1 (Limited Commercial) Zone, Ward 1 (Knudsen) [PRJ-78111]. |

| ***Related Relevant City Actions by Planning, Fire, Bldg., etc*** | |
|---|---|
| 05/06/20 | The City Council unanimously voted to HOLD IN ABEYANCE to the June 3, 2020 City Council meeting a request for a Site Development Plan Review (SDR-78245) FOR A PROPOSED 3,855 SQUARE-FOOT COMMERCIAL BUILDING WITH DRIVE THROUGH WITH A WAIVER TO NOT ORIENT THE BUILDING TO THE CORNER WHERE SUCH IS REQUIRED AND TO ALLOW A WAIVER OF TITLE 19 LANDSCAPE BUFFER STANDARDS on 0.43 acres at 3801 West Charleston Boulevard (APN 162-06-501-002), C-1 (Limited Commercial) Zone, Ward 1 (Knudsen) [PRJ-78111]. |
| 06/03/20 | The City Council unanimously voted to HOLD IN ABEYANCE to the July 8, 2020 City Council meeting a request for a Site Development Plan Review (SDR-78245) FOR A PROPOSED 3,855 SQUARE-FOOT COMMERCIAL BUILDING WITH DRIVE THROUGH WITH A WAIVER TO NOT ORIENT THE BUILDING TO THE CORNER WHERE SUCH IS REQUIRED AND TO ALLOW A WAIVER OF TITLE 19 LANDSCAPE BUFFER STANDARDS on 0.43 acres at 3801 West Charleston Boulevard (APN 162-06-501-002), C-1 (Limited Commercial) Zone, Ward 1 (Knudsen) [PRJ-78111]. |

| ***Most Recent Change of Ownership*** | |
|---|---|
| 10/18/18 | A deed was recorded for a change in ownership. |

| ***Related Building Permits/Business Licenses*** | |
|---|---|
| 09/23/14 | Business License (#G62-07897) was issued for a Law Firm use at 3821 West Charleston Boulevard. The license remains active. |
| 05/24/16 | Business License (#G64-03002) was issued for a Mortgage Broker use at 3841 West Charleston Boulevard. The license remains active. |
| 07/29/18 | Business License (#G66-04743) was issued for a Counseling Services use at 3811 West Charleston Boulevard. The license remains active. |
| 04/09/19 | Business License (#G67-02338) was issued for a Therapist Office use at 3811 West Charleston Boulevard. The license remains active. |

| ***Pre-Application Meeting*** | |
|---|---|
| 12/18/19 | Staff held a pre-application meeting with the applicant where the submittal requirements and deadlines were reviewed for a proposed Site Development Plan Review. |

| ***Neighborhood Meeting*** |
|---|
| A Neighborhood meeting was not required, nor was one held. |

| ***Field Check*** | |
|---|---|
| 01/30/20 | Planning Staff conducted a routine field check and found a vacant lot, currently utilized for parking with existing perimeter landscaping. No issues were noted. |

| ***Details of Application Request*** | |
|---|---|
| ***Site Area*** | |
| Net Acres | 0.43 |

| ***Surrounding Property*** | ***Existing Land Use Per Title 19.12*** | ***Planned or Special Land Use Designation*** | ***Existing Zoning District*** |
|---|---|---|---|
| Subject Property | Shopping Center | SC (Service Commercial) | C-1 (Limited Commercial) |
| North | Office, Other than Listed | PF (Public Facilities) | C-V (Civic) |
| South | Shopping Center | SC (Service Commercial) | C-1 (Limited Commercial) |
| East | Shopping Center | SC (Service Commercial) | C-1 (Limited Commercial) |
| West | Shopping Center | MXU (Mixed Use) | C-1 (Limited Commercial) |

| ***Master and Neighborhood Plan Areas*** | ***Compliance*** |
|---|---|
| Rancho Charleston Land Use Study | Y |
| ***Special Area and Overlay Districts*** | ***Compliance*** |
| A-O (Airport Overlay) District – (175 Feet) | Y |
| ***Other Plans or Special Requirements*** | ***Compliance*** |
| Trails | N/A |
| Las Vegas Redevelopment Plan Area | Y |
| Interlocal Agreement | N/A |
| Project of Significant Impact (Development Impact Notification Assessment) | N/A |
| Project of Regional Significance | N/A |

## DEVELOPMENT STANDARDS

***Pursuant to Title 19.08, the following standards apply:***

| *Standard* | *Required/Allowed* | *Provided* | *Compliance* |
|---|---|---|---|
| Min. Setbacks<br>• Front<br>• Corner | <br>10 Feet<br>10 Feet | <br>69 Feet<br>22 Feet | <br>Y<br>Y |
| Max. Lot Coverage | 50 % | 21 % | Y |
| Max. Building Height | N/A | 22 Feet | Y |
| Trash Enclosure | Screened, Gated, w/ a Roof or Trellis | Screened, Gated, w/ a Roof or Trellis | Y |
| Mech. Equipment | Screened | Screened | Y |

***Pursuant to Title 19.08 and Plot Plan Review (Z-0103-87), the following standards apply:***

| *Landscaping and Open Space Standards* | | | | |
|---|---|---|---|---|
| *Standards* | *Required* | | *Provided* | *Compliance* |
| | *Ratio* | *Trees* | | |
| Buffer Trees:<br>• North<br>• West | <br>1 Tree / 20 Linear Feet<br>1 Tree / 20 Linear Feet | <br>6 Trees<br>12 Trees | <br>6 Trees<br>12 Trees | <br>Y<br>Y |
| **TOTAL PERIMETER TREES** | | **18 Trees** | **18 Trees** | **Y** |
| **LANDSCAPE BUFFER WIDTHS** | | | | |
| Min. Zone Width<br>• North<br>• West | <br>15 Feet<br>15 Feet | | <br>15 Feet<br>6 Feet | <br>N<br>N* |

*A Waiver is requested to allow a reduced landscape buffer width along a portion of the west property line.

| *Street Name* | *Functional Classification of Street(s)* | *Governing Document* | *Actual Street Width (Feet)* | *Compliance with Street Section* |
|---|---|---|---|---|
| Charleston Boulevard | Primary Arterial | Planned Streets and Highways Map | 100 | Y |
| Valley View Boulevard | Collector | Planned Streets and Highways Map | 80 | Y |

***Pursuant to Title 19.08, 19.12 and Plot Plan Review (Z-0103-87), the following parking standards apply:***

| ***Parking Requirement*** | | | | | | | |
|---|---|---|---|---|---|---|---|
| ***Use*** | ***Gross Floor Area or Number of Units*** | ***Required*** | | | ***Provided*** | | ***Compliance*** |
| | | ***Parking Ratio*** | *Parking* | | *Parking* | | |
| | | | Regular | Handi-capped | Regular | Handi-capped | |
| Shopping Center | 89,477 SF | 1:250 SF | 358 | | | | |
| **TOTAL SPACES REQUIRED** | | | 358 | | 436 | | Y |
| **Regular and Handicap Spaces Required** | | | 349 | 9 | 414 | 22 | Y |

| ***Waivers*** | | |
|---|---|---|
| ***Requirement*** | ***Request*** | ***Staff Recommendation*** |
| Buildings on corner lots should be oriented to the corner and to the street fronts. | To not orient the proposed buildings to the corner where such is required. | Denial |
| Provide 15-foot landscape buffer width adjacent to the right-of-way. | To allow a six-foot landscape buffer width along a portion of the west property line. | Denial |

# DEPARTMENT OF PLANNING

**Application / Petition Form & Statement of Financial Interest**

| Department Use | |
|---|---|
| Case # | |
| Meeting Date | |
| Total Fee | |
| Received By/Date | |

**Case Type** (Special Use Permit, Rezoning, Variance, Site Development Plan Review, etc) _____

**Project Address** (Location) 3801 W CHARLESTON BLVD NV 89102

**Project Name** RETAILBUILDING WITH DRIVE THROUGH **Proposed Use** _____

**Assessor's Parcel #(s)** 162-06-501-001 **Ward #** _____

**General Plan:** Existing _____ Proposed _____ **Zoning:** Existing C1 Proposed _____

**Additional Information** _____

**Property Owner** CVV LLC C/O MDL GROUP Contact _____

Address 5960 S JONES BLVD. City LAS VEGAS State NV Zip 89118

E-mail _____ Phone _____

**Applicant** MO CONSTRUCTION LLC Contact MEHDI

Address 1651 BELLCASTRO STREET City LAS VEGAS State NV Zip 89117

E-mail MOCONSTRUCTIONLLC@GMAIL.COM Phone (702) 286-5700

**Representative** RAVIN NATHAN Contact _____

Address 10117 OCICAT AVENUE City LAS VEGAS State NV Zip 89166

E-mail RVNNATHAN@YAHOO.COM Phone (702) 245-8690

To the best of your knowledge, does the Mayor or any member of the City Council or Planning Commission have any financial interest in this or any other property with the property owner, applicant, the property owner or applicant's general or limited partners, or an officer of their corporation or limited liability company? ☐ Yes ☒ No

**If yes, please indicate the member of the City Council or Planning Commission who is involved and list the name(s) of the person or persons with whom the City Official holds an interest. Also list the Assessor's Parcel Number if the property in which the interest is held is different from the case parcel.**

**City Official** _____ **Partner(s)** _____

**Partner(s)** _____

- I certify that I am the applicant and that the information submitted with this application is true and accurate to the best of my knowledge and belief. I understand that the City is not responsible for inaccuracies in information presented, and that inaccuracies, false information or incomplete application may cause the application to be rejected. I further certify that I am the owner or purchaser (or option holder) of the property involved in the application, or the lessee or agent fully authorized by the owner to make this submission, as indicated by the owner's signature below.
- Application will not be deemed complete until the submitted materials have been reviewed by Department of Planning for consistency with the Zoning Ordinance.

**Property Owner Signature** _____

An authorized agent may sign in lieu of the property owner for Final Maps, Tentative Maps and Parcel Maps

**Print Name** Grant Carpenter, Manager

Subscribed and sworn before me

This _____ day of _____, 20 _____

Notary Public in and for said County and State

See attached California All-Purpose Certificate of Acknowledgment

PRJ-78111 01/16/20

# CALIFORNIA ALL- PURPOSE CERTIFICATE OF ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California }

County of Los Angeles }

On January 15, 2020 before me, Berta Hakimi Negari,
(Here insert name and title of the officer)

personally appeared Grant Carpenter,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public Signature (Notary Public Seal)

BERTA HAKIMI NEGARI
Notary Public - California
Los Angeles County
Commission # 2240771
My Comm. Expires May 29, 2022

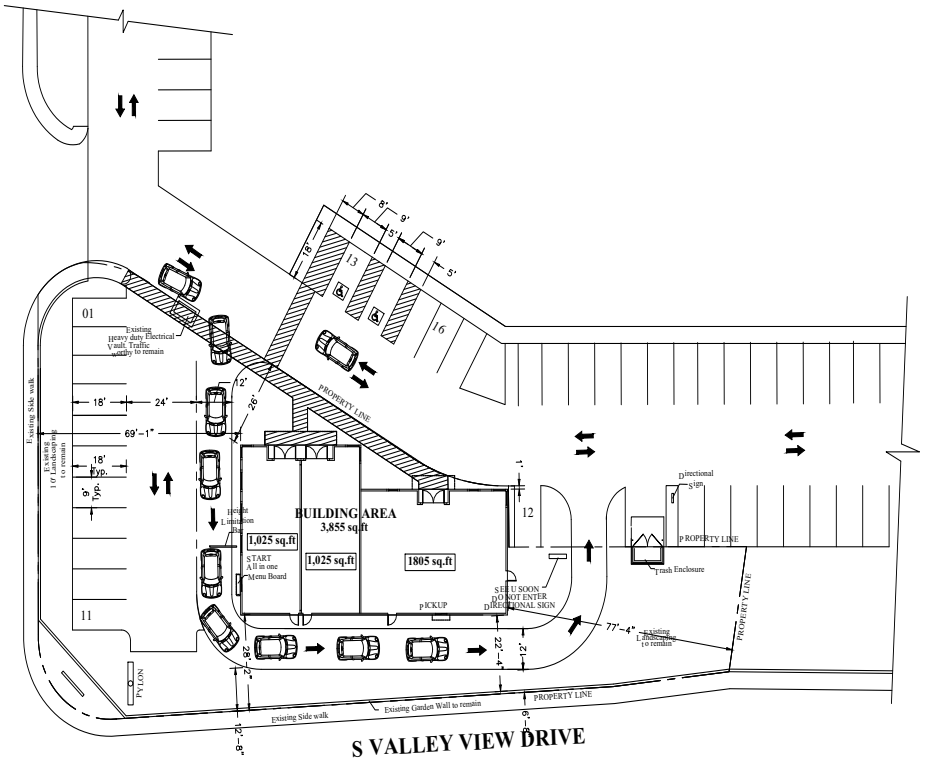
PRJ-78111
01/16/20




AERIAL VIEW

C1

W CHARLESTON BLVD.

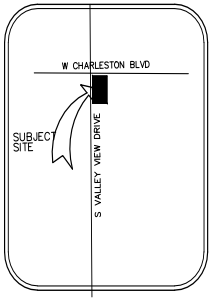



C1

## CONCEPTUAL SITE PLAN

(SCALE: 1"-20'-0")

### VICINITY MAP




### PROJECT/PROPERTY INFORMATION:

JURIDICTION: CITY OF LAS VEGAS
EXISTING ZONING C1
PROPOSED ZONING C1

APN# 162-06-501-001

GROSS AREA= 0.43 ACRES

PROPERTY ADDRESS:
3801 W CHARLESTON BLVD
LAS VEGAS NV 89

OWNER:
CVVLLC
5960 S JONES BLVD
LAS VEGAS NV 89118

BUILDING SETBACK:

| | REQUIRED | PROVIDED |
|---|---|---|
| FRONT SETBACK | 10' | 12.5'(Ave) |
| REAR SETBACK | 20' | 25' (Ave) |
| LEFT SETBACK | 10' | 34' |
| RIGHT SETBACK | 10' | 40' (Ave) |

CODE USED – 2018 I.B.C., U.P.C., U.M.C., U.F.C. 2017 NEC ANSI 2009

TYPE OF CONSTRUCTION: V-B
OCCUPANCY: B
FIRE PROTECTION: NO FIRE SPRINKLERS

BUILDING HEIGHT:
BUILDING HEIGHT = 20'-4" / SINGLE STORY
BUILDING FLOOR AREA = 3,855 SQ.FT

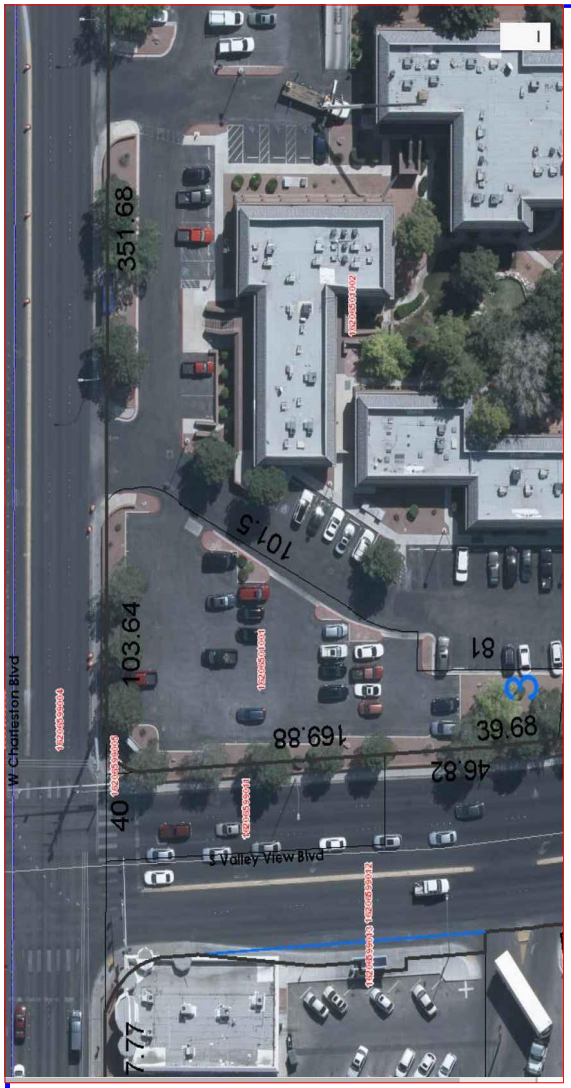
PARKING ANALYSIS:
REQUIRED PARKING= 4000/250 = 16
HC ACCESSIBLE = 1
HC VAN ACCESSIBLE = 1
REGULAR PARKING = 14

TOTAL PARKING SPACES PROVIDED =16

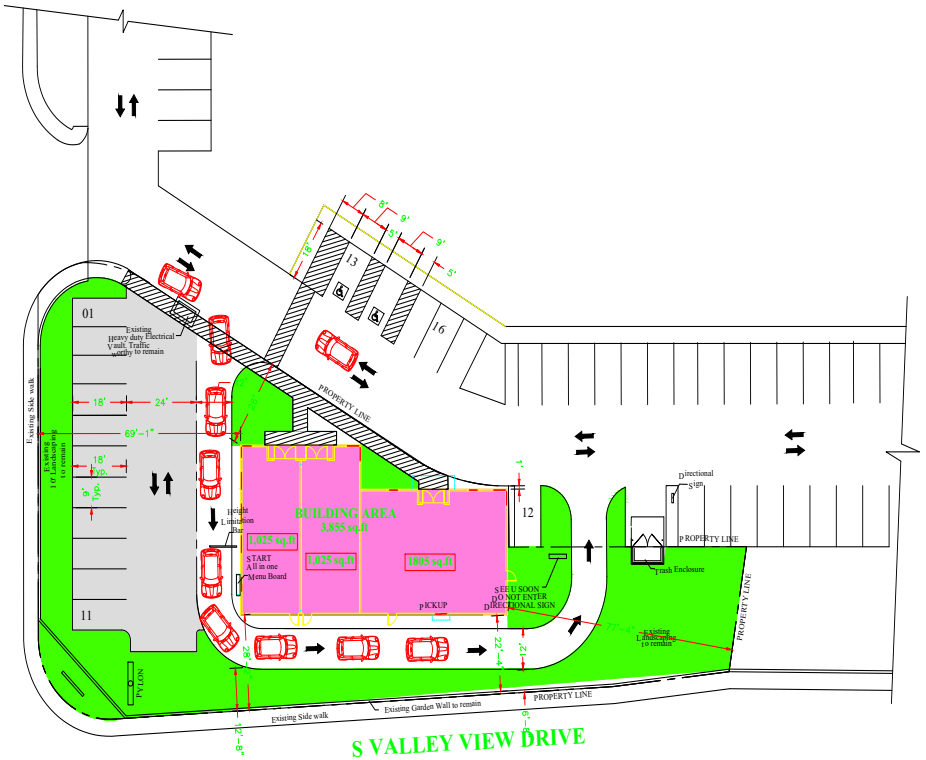
ADJOINING LOT IS OWNED BY THE SAME OWNER
AREA OF OFFICE SPACE IN 5 BUILDING = 85,622 S.F.
REQUIRED PARKING SPACES = 85622/250=343
TOTAL PARKING SPACES REQUIRED =16+343 = 359
PARKING SPACES PROVIDED =436
(INCLUDED IN 2 STORY PARKING STRUCTURE)

| | |
|---|---|
| PROPOSED RETAIL BUILDING @ 3801 W CHARLESTON BLVD | |
| CONTRACTOR: M.O.CONSTRUCTION LLC | |
| SCLE: 71494 | TEL: (702) 286-5700 DATE: 01/16/20 |
| DRAWING NAME: CONCEPTUAL SITE PLAN | |
| DRAWN BY: RVN | TEL: (702) 245-8690 DRG NUM: A0 |

PRJ-7811
01/16/20



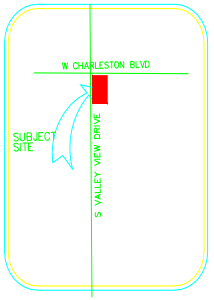

AERIAL VIEW




CONCEPTUAL SITE PLAN

(SCALE: 1"-20'-0")

VICINITY MAP

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EXISTING ZONING C1
PROPOSED ZONING C1

APN# 162-06-501-001

GROSS AREA= 0.43 ACRES

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3801 W CHARLESTON BLVD
LAS VEGAS NV 89

OWNER:
CVVLLC
5960 S JONES BLVD
LAS VEGAS NV 89118

BUILDING SETBACK:

| | REQUIRED | PROVIDED |
|---|---|---|
| FRONT SETBACK | 10' | 12.5'(Ave) |
| REAR SETBACK | 20' | 25' (Ave) |
| LEFT SETBACK | 10' | 34' |
| RIGHT SETBACK | 10' | 40' (Ave) |

CODE USED – 2018 I.B.C., U.P.C., U.M.C., U.F.C. 2017 NEC ANSI 2009

TYPE OF CONSTRUCTION: V-B
OCCUPANCY: B
FIRE PROTECTION: NO FIRE SPRINKLERS

BUILDING HEIGHT:
BUILDING HEIGHT = 20'-4" / SINGLE STORY
BUILDING FLOOR AREA = 3,855 SQ.FT

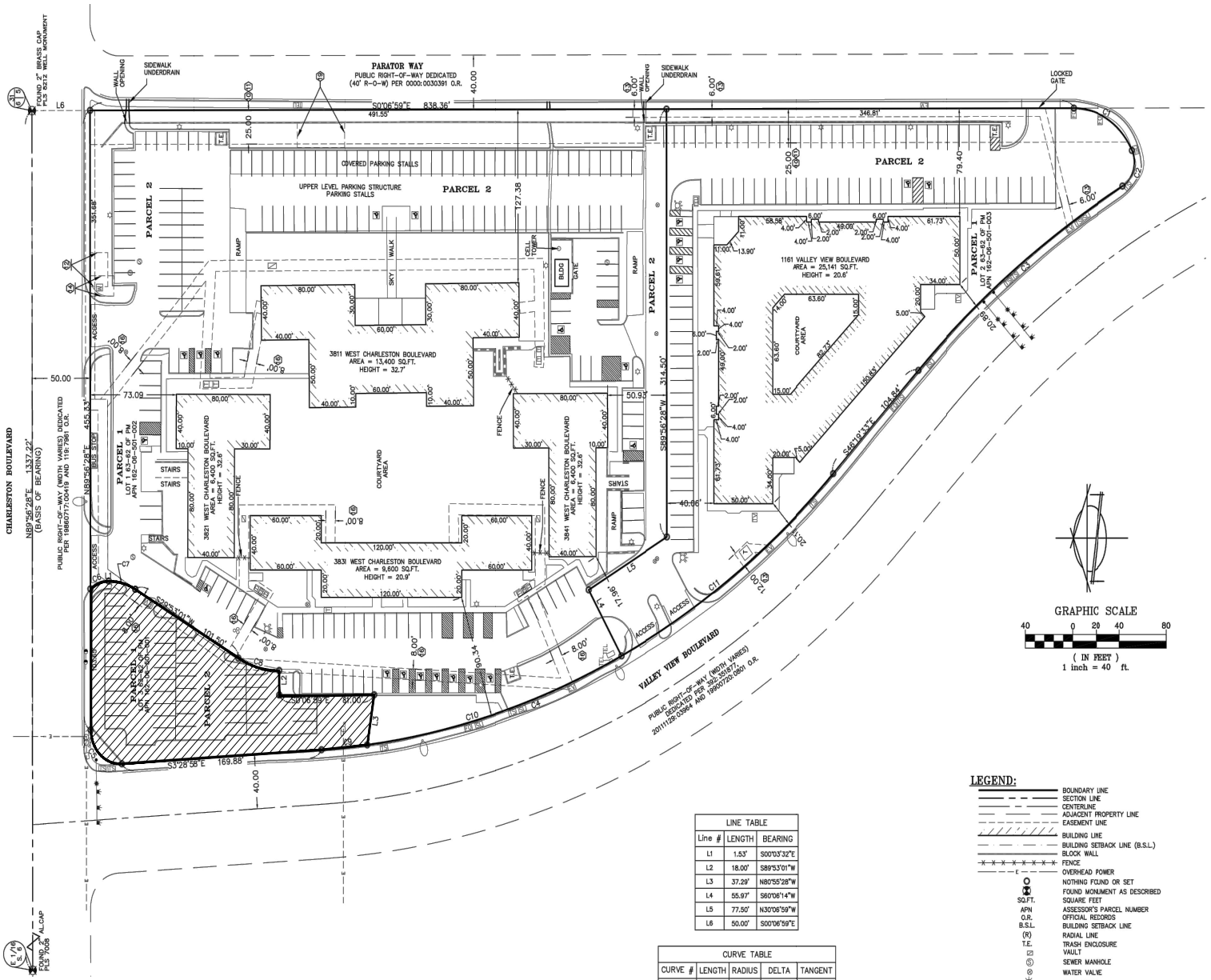
PARKING ANALYSIS:
REQUIRED PARKING= 4000/250 = 16
HC ACCESSIBLE = 1
HC VAN ACCESSIBLE = 1
REGULAR PARKING = 14

TOTAL PARKING SPACES PROVIDED =16

ADJOINING LOT IS OWNED BY THE SAME OWNER
AREA OF OFFICE SPACE IN 5 BUILDING = 85,622 S.F.
REQUIRED PARKING SPACES = 85622/250=343
TOTAL PARKING SPACES REQUIRED =16+343 = 359
PARKING SPACES PROVIDED =436
(INCLUDED IN 2 STORY PARKING STRUCTURE)

PROPOSED RETAIL BUILDING
@ 3801 W CHARLESTON BLVD
CONTRACTOR: M.O.CONSTRUCTION LLC
SCLE: 71494 TEL: (702) 286-5700 DATE: 01/16/20
DRAWING NAME: CONCEPTUAL SITE PLAN
DRAWN BY: RVN TEL: (702) 245-8690 DRG NUM.: A0

PRJ-78111
01/16/20




| LINE TABLE | | |
|---|---|---|
| Line # | LENGTH | BEARING |
| L1 | 1.53' | S00°03'32"E |
| L2 | 18.00' | S89°53'01"W |
| L3 | 37.29' | N80°55'28"W |
| L4 | 55.97' | S60°06'14"W |
| L5 | 77.50' | N30°06'59"W |
| L6 | 50.00' | S00°06'59"E |

| CURVE TABLE | | | | |
|---|---|---|---|---|
| CURVE # | LENGTH | RADIUS | DELTA | TANGENT |
| C1 | 61.97' | 55.34' | 064°09'49" | 34.69' |
| C2 | 30.17' | 20.00' | 086°25'01" | 18.79' |
| C3 | 221.25' | 755.00' | 016°47'28" | 111.42' |
| C4 | 493.52' | 660.00' | 042°50'35" | 258.94' |
| C5 | 40.76' | 25.00' | 093°25'28" | 26.54' |
| C6 | 15.51' | 20.00' | 044°25'50" | 8.17' |
| C7 | 23.56' | 45.00' | 030°00'00" | 12.06' |
| C8 | 36.13' | 69.00' | 030°00'00" | 18.49' |
| C9 | 39.69' | 660.00' | 003°26'43" | 19.85' |
| C10 | 227.45' | 660.00' | 019°44'42" | 114.86' |
| C11 | 226.38' | 660.00' | 019°39'08" | 114.31' |

**LEGEND:**

- BOUNDARY LINE
- SECTION LINE
- CENTERLINE
- ADJACENT PROPERTY LINE
- EASEMENT LINE
- BUILDING LINE
- BUILDING SETBACK LINE (B.S.L.)
- BLOCK WALL
- FENCE
- OVERHEAD POWER
- NOTHING FOUND OR SET
- FOUND MONUMENT AS DESCRIBED
- SQ.FT. SQUARE FEET
- APN ASSESSOR'S PARCEL NUMBER
- O.R. OFFICIAL RECORDS
- B.S.L. BUILDING SETBACK LINE
- (R) RADIAL LINE
- T.E. TRASH ENCLOSURE
- VAULT
- SEWER MANHOLE
- WATER VALVE
- AREA LIGHT
- HANDICAP PARKING
- FIRE HYDRANT
- STREET LIGHT
- TELEPHONE BOX
- STREET LIGHT BOX
- TRAFFIC SIGNAL BOX
- TV BOX
- FIBER OPTIC BOX
- ELECTRIC BOX
- TRANSFORMER
- ELECTRIC VAULT
- ANCHOR
- CLEAN OUT
- OVERHEAD POWER

PROPOSED RETAIL BUILDING
@ 3801 W CHARLESTON BLVD

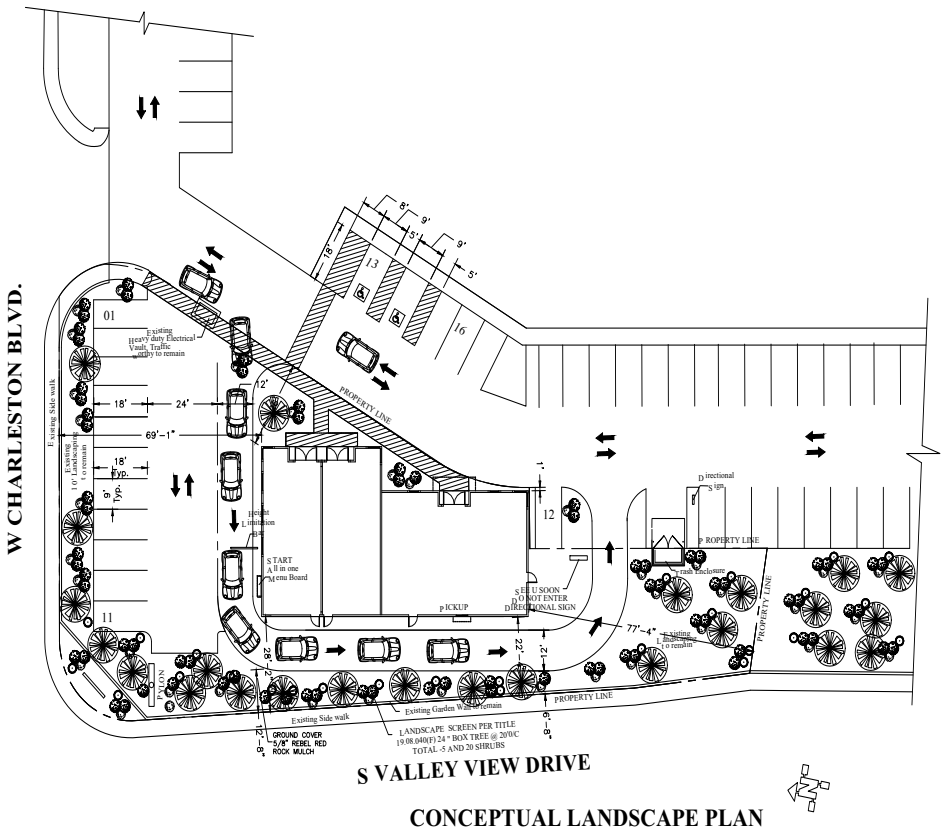
CONTRACTOR: M.O.CONSTRUCTION LLC

SCLE: 1"=40' | TEL: (702) 286-5700 | DATE: 11/25/19

DRAWING NAME: OVERALL SITE PLAN

DRAWN BY: RVN | TEL: (702) 245-8690 | DRG NUM.: A0.1

PRJ-7811
01/16/20




## CONCEPTUAL LANDSCAPE PLAN

(SCALE: 1"-20'-0")

| LANDSCAPE MATERIAL LIST | | | |
|---|---|---|---|
| SYMBOL | COMMON NAME | SIZE | COUNT |
| | WEEPING JUNIPER<br>STRAWBERRY TREE<br>BLUE ATLAS CEDAR<br>LEATHER LEAF ARCATIA | 48" BOX | |
| | EUROPEAN HACKBERRY<br>MESA PALO VERDE<br>WESTERN REDBUD<br>LEATHER LEAF ARCATIA | 36" BOX | |
| | ITALIAN STONE PINE<br>MEXICAN SYCAMORE<br>ARIZONA ASH<br>ARIZONA CYPRESS | 24" BOX | 18 |
| | BOG ROSEMARY<br>DESERT HOLLY<br>BOTTLE BRUSH<br>NATAL PLUM | 15 GAL. | |
| | JASMINE<br>JUNIPER<br>LAVENDER<br>FLANNEL BUSH | 5 GAL. | 85 |
| | DAY LILY<br>PHOTINIA<br>MOCK ORANGE<br>MAHONIA | 1 GAL. | 25 |
| | CREAPER / VINE | 5 GAL. | 58 |
| | CYPRESS | 15 GAL. | |
| | 4" REBEL ROCK | | |
| | 5/8" GOLD ROCK MULCH | | |
| | 5/8" REBEL RED ROCK MULCH | | |
| | REBEL RED ROX BOULDER | | |
| | KEY STONE | | |
| | CONC. CURB | | |
| | ARTIFICIAL GRASS | | |
| | 2'x2' PAVERS | | |

PROPOSED RETAIL BUILDING
@ 3500 W CHARLESTON BLVD

CONTRACTOR: M.O.CONSTRUCTION LLC

SCLE: 71494 TEL: (702) 286-5706 01/16/20

DRAWING NAME: CONCEPTUA LANDSCAPE PLAN

DRAWN BY: RVN TEL: (702) 245-8690 DRAWING NUM: LI

PRELIMINARY 01/16/20




## CONCEPTUAL LANDSCAPE PLAN

(SCALE: 1"-20'-0")

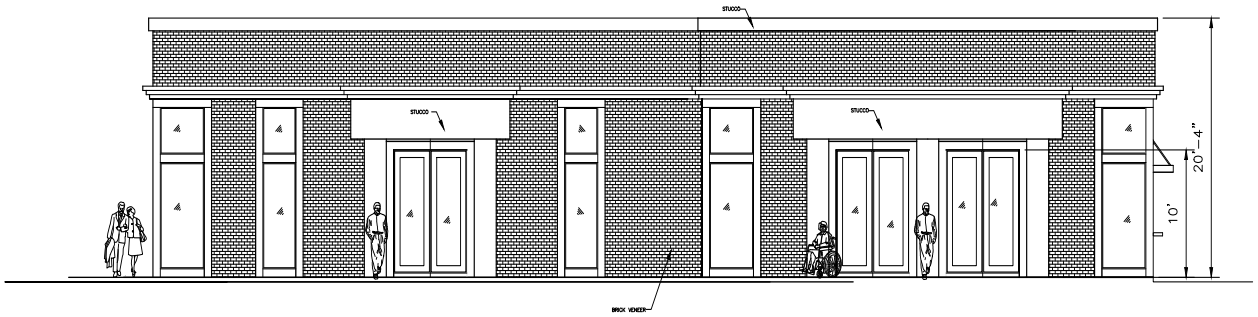
## LANDSCAPE MATERIAL LIST

| SYMBOL | COMMON NAME | SIZE | COUNT |
|---|---|---|---|
| | WEEPING JUNIPER<br>STRAWBERRY TREE<br>BLUE ATLAS CEDAR<br>LEATHER LEAF ARCATIA | 48" BOX | |
| | EUROPEAN HACKBERRY<br>MESA PALO VERDE<br>WESTERN REDBUD<br>LEATHER LEAF ARCATIA | 36" BOX | |
| | ITALIAN STONE PINE<br>MEXICAN SYCAMORE<br>ARIZONA ASH<br>ARIZONA CYPRESS | 24" BOX | 18 |
| | BOG ROSEMARY<br>DESERT HOLLY<br>BOTTLE BRUSH<br>NATAL PLUM | 15 GAL. | |
| | JASMINE<br>JUNIPER<br>LAVENDER<br>FLANNEL BUSH | 5 GAL. | 85 |
| | DAY LILY<br>PHOTINIA<br>MOCK ORANGE<br>MAHONIA | 1 GAL. | 25 |
| | CREAPER / WINE | 5 GAL. | 58 |
| | CYPRESS | 15 GAL. | |
| | 4" REBEL ROCK | | |
| | 5/8" GOLD ROCK MULCH | | |
| | 5/8" REBEL RED ROCK MULCH | | |
| | REBEL RED ROCK<br>BOULDER | | |
| | KEY STONE | | |
| | CONC. CURB | | |
| | ARTIFICIAL GRASS | | |
| | 2'x2' PAVERS | | |

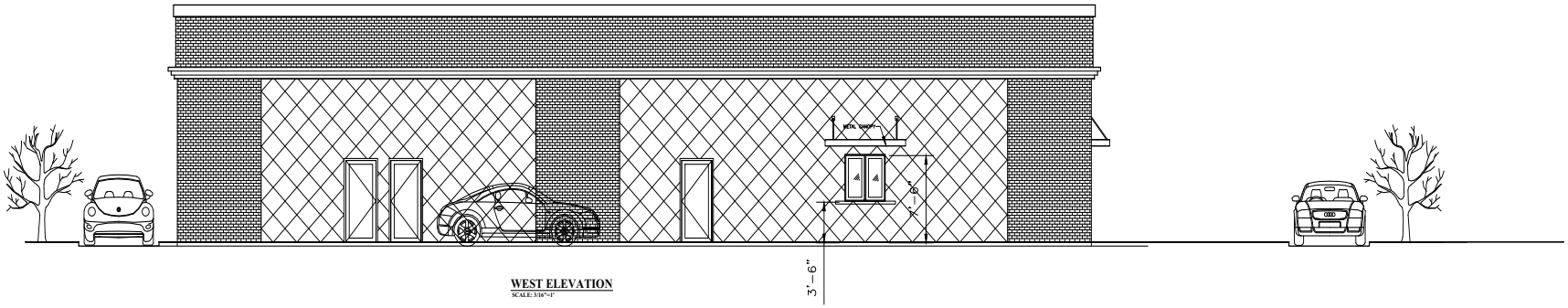
PROPOSED RETAIL BUILDING
@ 380 W CHARLESTON BLVD

PRJ-78111
01/16/20

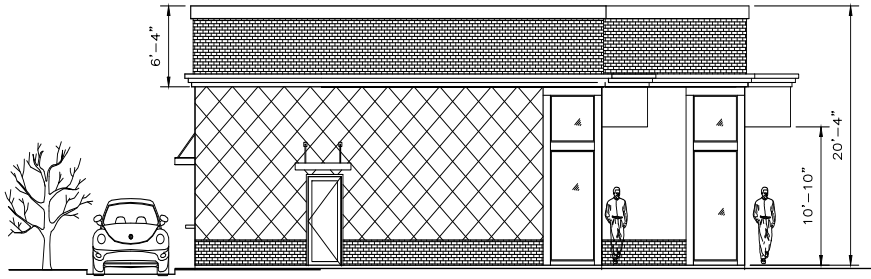
| | | | |
|---|---|---|---|
| CONTRACTOR: | M.O CONSTRUCTION LLC | | |
| NCLF: 71494 | TEL: (702) 286-5700 | | 01/16/20 |
| DRAWING NAME: | CONCEPTUA LANDSCAPE PLAN | | |
| DRAWN BY: RVN | TEL: (702) 245-8690 | DRAWING NUM.: LI | |



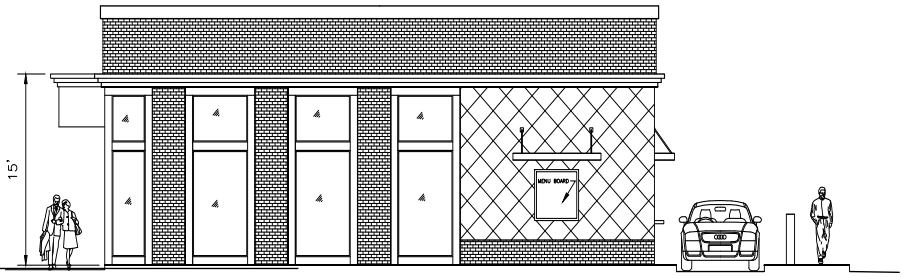

**EAST ELEVATION**
SCALE: 3/16"=1'




**WEST ELEVATION**
SCALE: 3/16"=1'



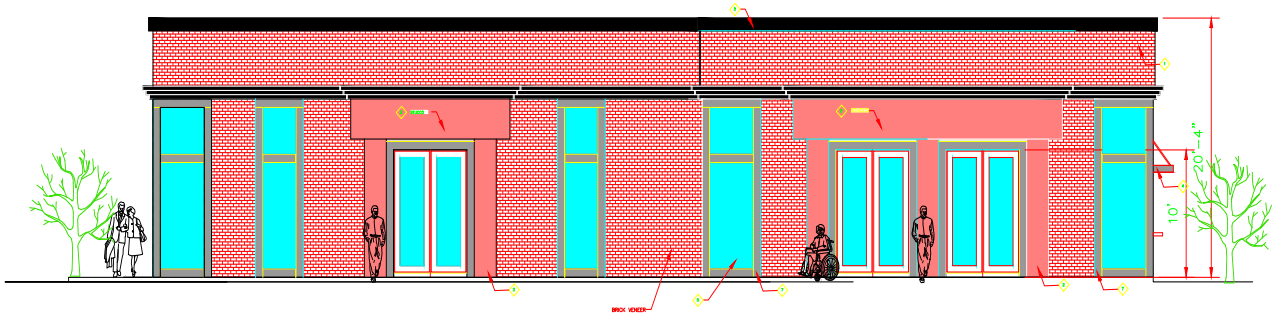

**SOUTH ELEVATION**
SCALE: 3/16"=1'




**NORTH ELEVATION**
SCALE: 3/16"=1'

| | | | |
|---|---|---|---|
| Nevada Licensed Contractor, Lic. # 71494 | PROPOSED RETAIL BUILDING @ 380 W CHARLESTON BLVD | | |
| Authorized Signature: | CONTRACTOR: M.O.CONSTRUCTION LLC | | |
| | SCL#: 71494 | TEL: (702) 286-5700 | DATE: 01/16/20 |
| Architectural drawings have been signed by a licensed Nevada Contractor as allowed per NRS 2023.330 paragraph 1 (sub paragraph c) and under the provisions of chapter 624 of NRS who provides his own drawings for his own construction activities. | DRAWING NAME: BUILDING -A ELEVATIONS | | |
| | DRAWN BY: RVN | TEL: (702) 245-8690 | DRAWING NUM.: A1 |

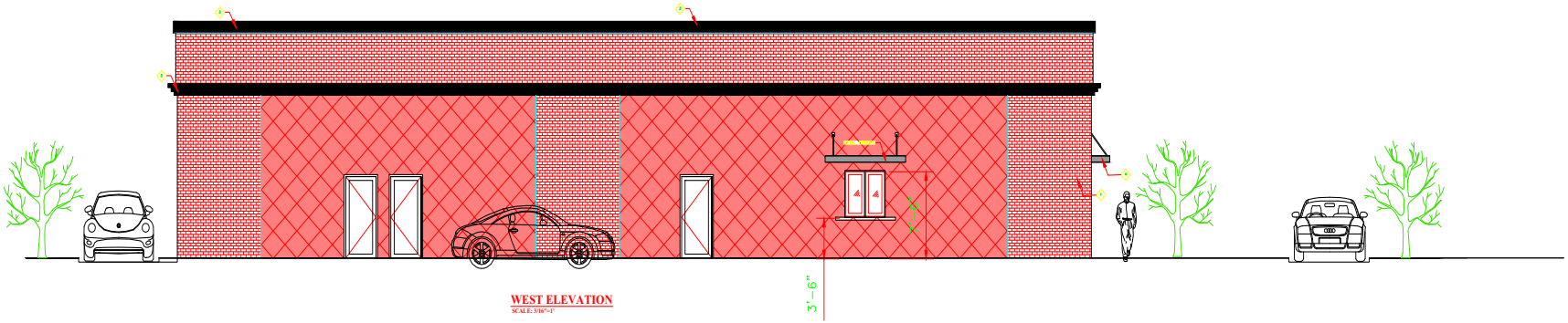
PRJ-78110
01/16/20



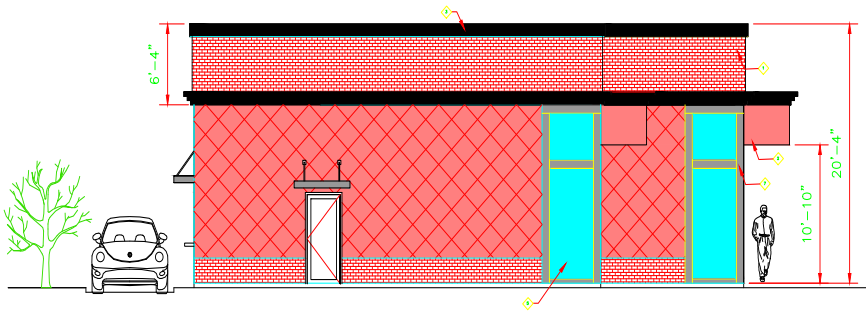

EAST ELEVATION
SCALE: 3/16"=1'

EXTERIOR FINISH MATERIAL & COLOR

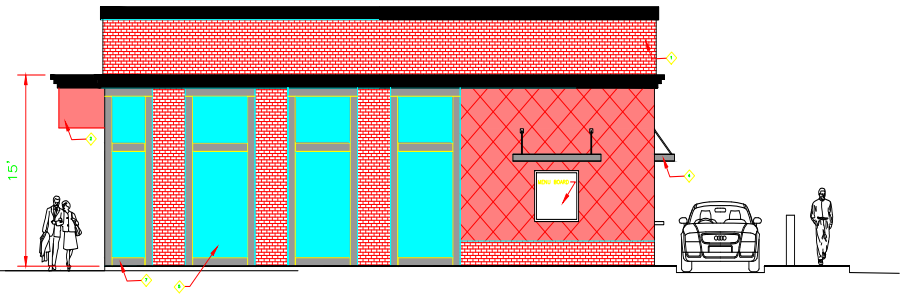
| SYMBOL | MATERIAL/COLOR | DESCRIPTION |
|---|---|---|
| 1 | | BRICK VENEER |
| 2 | | STUCCO (2 FINISH 75 MIRACLE) |
| 3 | | STUCCO TRIM PAINTED BLACK |
| 4 | | METAL AWNING PAINTED BLACK SHEET |
| 5 | | DUAL WINDOW |
| 6 | | ADDRESS & HOUSE NAME EXPLORER 1002 |
| 7 | | |
| 8 | | |
| 9 | | |




WEST ELEVATION
SCALE: 3/16"=1'




SOUTH ELEVATION
SCALE: 3/16"=1'

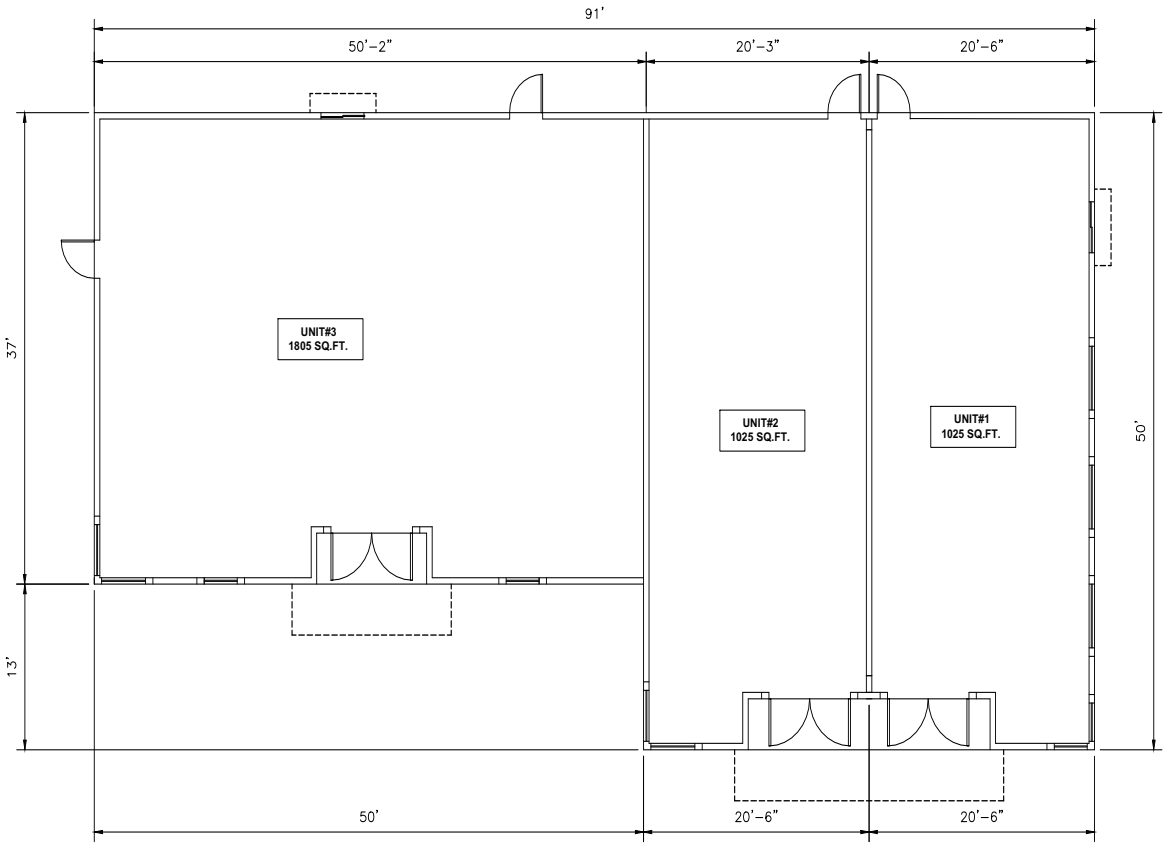



NORTH ELEVATION
SCALE: 3/16"=1'

PROPOSED RETAIL BUILDING
@ 380 W CHARLESTON BLVD

| | | | |
|---|---|---|---|
| CONTRACTOR: | M.O.CONSTRUCTION LLC | | |
| NCL#: 71494 | TEL: (702) 286-5700 | DATE: 01/16/20 | |
| DRAWING NAME: | BUILDING -A ELEVATIONS | | |
| DRAWN BY: RVN | TEL: (702) 245-8690 | DRAWING NUM.: A1 | |

PRJ-78111
01/16/20




## FLOOR PLAN

SCALE: 3/16"=1' (3,855 Sq.Ft.)



| | |
|---|---|
| Nevada Licensed Contractor, Lic. # 71494 | PROPOSED RETAIL BUILDING @ 3801 W CHARLESTON BLVD |
| Authorized Signature: | CONTRACTOR: M.O.CONSTRUCTION LLC |
| Architectural drawings have been signed by a licensed Nevada Contractor as allowed per NRS 623.330 paragraph 1 (sub paragraph d) and under the provisions of chapter 624 of NRS who provides his own drawings for his own construction activities. | LIC: 71494 TEL: (702) 286-5700 DATE: 01/16/20 |
| | DRAWING NAME: FLOOR PLAN |
| | DRAWN BY: RVN TEL: (702) 245-8690 DRAWING NUM: A2 |

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01/16/20



**SDR-78245 [PRJ-78111] - SITE DEVELOPMENT PLAN REVIEW - APPLICANT: MO CONSTRUCTION, LLC - OWNER: CVV, LLC**
**3801 WEST CHARLESTON BOULEVARD**

01/30/2020



**SDR-78245 [PRJ-78111] - SITE DEVELOPMENT PLAN REVIEW - APPLICANT: MO CONSTRUCTION, LLC - OWNER: CVV, LLC**
**3801 WEST CHARLESTON BOULEVARD**

01/30/2020

Jan.16th 2020

**JUSTIFICATION LETTER**

PROPOSED RETAIL BUILDING

APN# 162-06-501-001

Planner,
City of Las Vegas. Zoning Dept.
Las Vegas.

The subject property is located at the SE corner of W Charleston Blvd. & Valley view Blvd., which is currently Zoned C1, and used as parking for the adjacent office complex Owned by the same property owner C VV LLC.
The Owner would like to build a single story, approximately 4000 S.F. retail building in the 0.43 Ac Parcel. 1800 S.F of the space shall be leased out to Dunkin' Donuts, with drive through facility.
Architectural Elements of the proposed Building structure shall be compatible with the adjacent office building complex. Exterior surfaces shall be finished with extensive brick veneer to match the existing adjoining buildings.
Existing parking spaces facing W Charleston Blvd have been left as it is, including the landscape buffer unchanged.
Creative drought tolerant landscaping shall be provided between Valley View Blvd & the Proposed Drive through lane and screened by existing 3' high garden masonry wall.

Facility, once constructed shall be accessed from W Charleston Blvd & Valley view Blvd.
To reduce the anticipated traffic generated and to traffic dept. comments made during Pre Application conference meeting held on 12/18/19, Site plan has been revised with 8 car stacking lane to the satisfaction of the officials in the Traffic Dept.

There shall be a grease interceptor on site per building dept. requirement.

There are very few fast food services currently located between Valley view to Rancho along W Charleston Blvd. to serve the employees of professional offices in the vicinity. We believe that A project like this at this location will be suitable for the fast growing Vegas valley.

During construction the subject project shall create employment for about 25 construction workers. Once in operation the fast food service shall employ about 15 full time employees.. Reasonable contribution to the economy the City of Las Vegas.

Thank you very much for your cooperation.

Sincerely,

MEHDI.
MO CONSTRUCTION.

PRJ-78111
01/16/20

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Las Vegas, Nevada 89101

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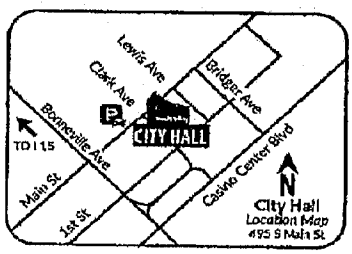


If you wish to file your protest or support on this request, check the appropriate box below and return this card in an envelope with postage to the Office Of The City Clerk at the address listed above or fax this side of this card to (702) 382-4803. If you would like to contact your Council Representative, please call (702) 229-6405.

☐ I SUPPORT this Request

☒ I OPPOSE this Request

Please use available blank space on card for your comments.

**SDR-78245 [PRJ-78111]**
City Council Meeting of **04/15/2020**

PRJ-78111
16206510030
SANARP TRUST
SANCHEZ HENRY W & SHIRLEY A TRS
1230 HINSON ST
LAS VEGAS NV 89102-1604

City of Las Vegas
Office of The City Clerk
495 South Main Street, 2nd Floor
Las Vegas, Nevada 89101

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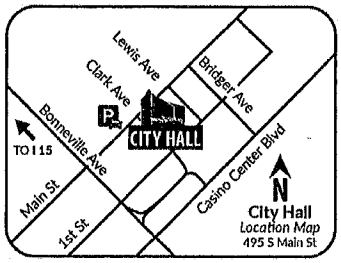


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☐ I SUPPORT this Request

☒ I OPPOSE this Request

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**SDR-78245 [PRJ-78111]**
City Council Meeting of **04/15/2020**

PRJ-78111
16205215021
MCGRATH THOMAS & ELIZABETH TRUST
MCGRATH THOMAS J & ELIZABETH J T
3075 WESTWIND RD
LAS VEGAS NV 89146-6858

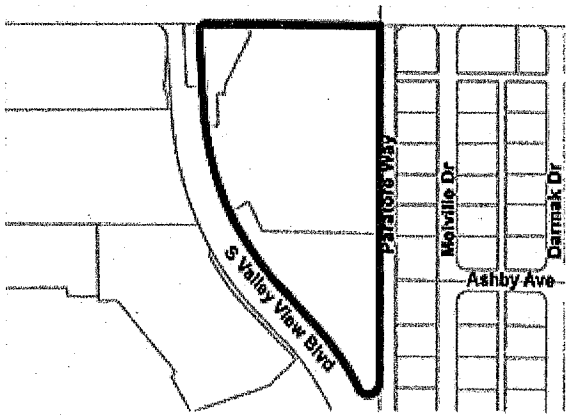
## Application Information

**SDR-78245 - SITE DEVELOPMENT PLAN REVIEW - PUBLIC HEARING - APPLICANT: MO CONSTRUCTION, LLC - OWNER: CVV, LLC** - For possible action on a request for a Site Development Plan Review FOR A PROPOSED 3,855 SQUARE-FOOT COMMERCIAL BUILDING WITH DRIVE THROUGH WITH A WAIVER TO NOT ORIENT THE BUILDING TO THE CORNER WHERE SUCH IS REQUIRED AND TO ALLOW A WAIVER OF TITLE 19 LANDSCAPE BUFFER STANDARDS on 0.43 acres at 3801 West Charleston Boulevard (APN 162-06-501-002), C-1 (Limited Commercial) Zone, Ward 1 (Knudsen) [PRJ-78111]. The Planning Commission (6-0 vote) and Staff recommend DENIAL.

No waiver of landscape but the landscapes!

Come on Councilman Knudsen!

## Application Location




The proposed project may not pertain to the entire highlighted project site.

## Public Hearing Information

| | |
|---|---|
| **Meeting:** | City Council |
| **Date:** | 04/15/2020 |
| **Location:** | City Council Chambers<br>495 South Main St, 2nd Fl.<br>Las Vegas, Nevada |
| **Time:** | 9:00 a.m. |

Due to Covid-19 and the State of Emergency which has been declared, any and all persons are encouraged to send comments and written objections electronically prior to the meeting via e-mail to citycouncillive@lasvegasnevada.gov, mailing to the City Clerk, 2nd Floor, City Hall, 495 South Main Street, Las Vegas, Nevada, 89101, or fax to (702)382-4803. Online comments can be submitted via the e-mail provided or from the City's website at www.lasvegasnevada.gov/councilcomment. For further information, go to www.lasvegasnevada.gov (TTY 7-1-1). **Note that comments received after an agenda posts will not be reflected online until after the meeting; however, the comments are made available to the members of the governing body for their consideration prior to the meeting.**

City of Las Vegas
Office of The City Clerk
495 South Main Street, 2nd Floor
Las Vegas, Nevada 89101

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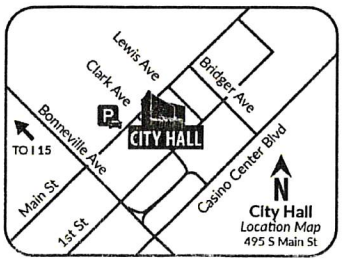


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☐ I SUPPORT this Request ☒ I OPPOSE this Request

Please use available blank space on card for your comments.

**SDR-78245 [PRJ-78111]**
City Council Meeting of **04/15/2020**

PRJ-78111
16205113047
WYSE OWL TRUST
1207 DOUGLAS DR
LAS VEGAS NV 89102-1815

89 BRDFNP1 89102

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Las Vegas, Nevada 89101

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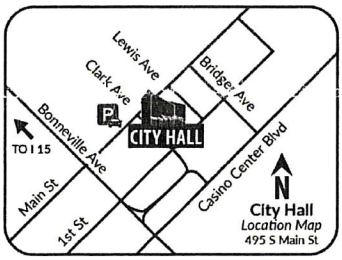


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☐ I SUPPORT this Request ☒ I OPPOSE this Request

Please use available blank space on card for your comments.

**SDR-78245 [PRJ-78111]**
City Council Meeting of **04/15/2020**

PRJ-78111
16205113045
CAMP ROMA LYNN TRUST
CAMP ROMA LYNN TRS
1219 DOUGLAS DR
LAS VEGAS NV 89102-1815

Submitted after final agenda
#57



89 BRDFNP1 89102

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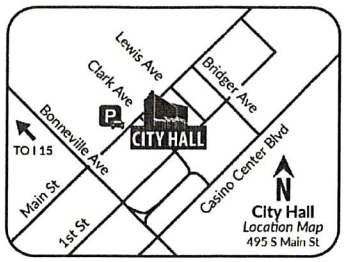
**Official Notice of Public Hearing**

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☐ I SUPPORT this Request ☒ I OPPOSE this Request

Please use available blank space on card for your comments.

**SDR-78245 [PRJ-78111]**
City Council Meeting of **04/15/2020**

PRJ-78111
16206510029
DAR PROPERTIES L L C
1220 HINSON ST
LAS VEGAS NV 89102

89 BRDFNP1 89102

City of Las Vegas
Office of The City Clerk
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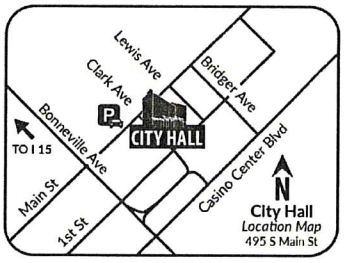


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☐ I SUPPORT this Request ☒ I OPPOSE this Request

Please use available blank space on card for your comments.

**SDR-78245 [PRJ-78111]**
City Council Meeting of **04/15/2020**

PRJ-78111
16205110018
D A R PROPERTIES L L C
1220 HINSON ST
LAS VEGAS NV 89102



89 BRDFNP1 89102

City of Las Vegas
Office of The City Clerk
495 South Main Street, 2nd Floor
Las Vegas, Nevada 89101

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**Return Service Requested**
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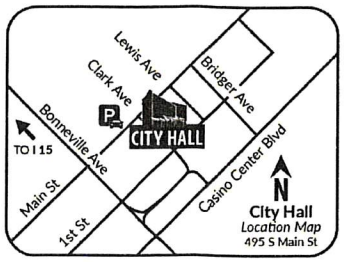


If you wish to file your protest or support on this request, check the appropriate box below and return this card in an envelope with postage to the Office Of The City Clerk at the address listed above or fax this side of this card to (702) 382-4803. If you would like to contact your Council Representative, please call (702) 229-6405.

☐ I SUPPORT this Request ☒ I OPPOSE this Request

Please use available blank space on card for your comments.
**SDR-78245 [PRJ-78111]**
City Council Meeting of **04/15/2020**

PRJ-78111
16205110017
DAR PROPERTIES L L C
1220 HINSON ST
LAS VEGAS NV 89102

89 BRDFMP1 89102

City of Las Vegas
Office of The City Clerk
495 South Main Street, 2nd Floor
Las Vegas, Nevada 89101

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Las Vegas, NV
Permit No. 1630

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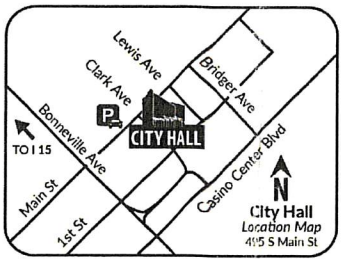


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**SDR-78245 [PRJ-78111]**
City Council Meeting of **04/15/2020**

PRJ-78111
16205113016
BRAVIN GERALD & ADELINA FAM TR
BRAVIN GERALD & ADELINA TRS
1201 MELVILLE DR
LAS VEGAS NV 89102-1821



89 BRDFMP1 89102

## Application Information

**SDR-78245 - SITE DEVELOPMENT PLAN REVIEW - PUBLIC HEARING - APPLICANT: MO CONSTRUCTION, LLC - OWNER: CVV, LLC** - For possible action on a request for a Site Development Plan Review FOR A PROPOSED 3,855 SQUARE-FOOT COMMERCIAL BUILDING WITH DRIVE THROUGH WITH A WAIVER TO NOT ORIENT THE BUILDING TO THE CORNER WHERE SUCH IS REQUIRED AND TO ALLOW A WAIVER OF TITLE 19 LANDSCAPE BUFFER STANDARDS on 0.43 acres at 3801 West Charleston Boulevard (APN 162-06-501-002), C-1 (Limited Commercial) Zone, Ward 1 (Knudsen) [PRJ-78111]. The Planning Commission (6-0 vote) and Staff recommend DENIAL.

With these recommendations having been made, it should not even be brought to the commission.

Steve McCoy

## Application Location




The proposed project may not pertain to the entire highlighted project site.

## Public Hearing Information

| | |
|---|---|
| **Meeting:** | City Council |
| **Date:** | 04/15/2020 |
| **Location:** | City Council Chambers<br>495 South Main St, 2nd Fl.<br>Las Vegas, Nevada |
| **Time:** | 9:00 a.m. |

Due to Covid-19 and the State of Emergency which has been declared, any and all persons are encouraged to send comments and written objections electronically prior to the meeting via e-mail to citycouncillive@lasvegasnevada.gov, mailing to the City Clerk, 2nd Floor, City Hall, 495 South Main Street, Las Vegas, Nevada, 89101, or fax to (702)382-4803. Online comments can be submitted via the e-mail provided or from the City's website at www.lasvegasnevada.gov/councilcomment. For further information, go to www.lasvegasnevada.gov (TTY 7-1-1). **Note that comments received after an agenda posts will not be reflected online until after the meeting; however, the comments are made available to the members of the governing body for their consideration prior to the meeting.**

City of Las Vegas
Office of The City Clerk
495 South Main Street, 2nd Floor
Las Vegas, Nevada 89101

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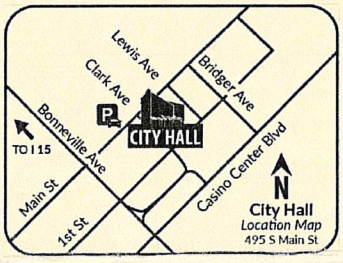


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☐ I SUPPORT this Request ☒ I OPPOSE this Request

Please use available blank space on card for your comments.

**SDR-78245 [PRJ-78111]**
City Council Meeting of **04/15/2020**

PRJ-78111
16205210017
MCCOY STEVEN D & CYNTHIA L
1266 DOUGLAS DR
LAS VEGAS NV 89102-1816

Submitted after final agenda

57

89 BRDFNF1 89102

City of Las Vegas
Office of The City Clerk
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Las Vegas, Nevada 89101

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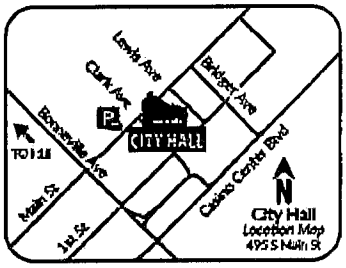


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☒ I SUPPORT this Request ☐ I OPPOSE this Request

Please use available blank space on card for your comments.
**SDR-78245 [PRJ-78111]**
City Council Meeting of **04/15/2020**

PRJ-78111
16205113032
PETERSEN MARJORY C
KINDER GLADYS C
1201 DARMAK DR
LAS VEGAS NV 89102-1809

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Office of The City Clerk
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Las Vegas, Nevada 89101

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Las Vegas, NV
Permit No. 1630

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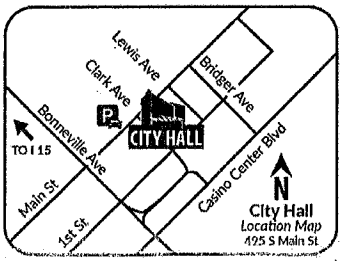


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☒ I SUPPORT this Request ☐ I OPPOSE this Request

Please use available blank space on card for your comments.
**SDR-78245 [PRJ-78111]**
City Council Meeting of **04/15/2020**

PRJ-78111
16205215023
LAJES EVELYN
AVILES EVETTE
1336 CASHMAN DR
LAS VEGAS NV 89102

Submitted after final agenda
#57

July 7th. 2020

**COUREY STEWART .**
**PLANNER**
**CITY OF LAS VEGAS**

**RE: SDR-78245 REQUEST FOR ABEYANCE**

AS THE REVISED SITE PLAN IS BEING REVIEWED BY DIFFERENT AGENCIES WE WOULD REQUEST TO ABEY THIS ITEM TO 7/22/20 CITY COUNCIL MEETING.

APPRECIATE YOUR COOPERATION

Mehdi

MO construction LLC

Submitted after final agenda

**AGENDA ITEM #40**
**RECEIVED 07.07.20**

**NOTE: THE FOLLOWING DOCUMENTATION WAS SUBMITTED FOR THE RECORD BEFORE OR AT THE PLANNING COMMISSION HEARING ON THIS ITEM WHICH IS NOW APPEARING BEFORE THE CITY COUNCIL**

p.1

7028705633

City of Las Vegas
Department of Planning
Development Services Center
333 North Rancho Drive. 3rd Floor
Las Vegas, Nevada 89106

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Permit No. 1630

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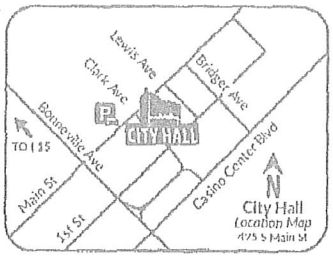
City of Las Vegas




If you wish to file your protest or support on this request, check the appropriate box below and return this card in an envelope with postage to the Department of Planning at the address listed above, fax this side of this card to (702) 464-7499 or make your comments at www.lasvegasnevada.gov. If you would like to contact your Council Representative, please call (702) 229-6405.

☐ I SUPPORT this Request ☐ I OPPOSE this Request

Please use available blank space on card for your comments.

**SDR-78245 [PRJ-78111]**
Planning Commission Meeting of **3/10/2020**

SDR-78245
16206510030
SANARP TRUST
SANCHEZ HENRY W & SHIRLEY A TRS
1230 HINSON ST
LAS VEGAS NV 89102-1604

89 ARDFMP1 89102

Henry and Shirley Sanchez

Mar 11 20 03:45p

City of Las Vegas
Department of Planning
Development Services Center
333 North Rancho Drive, 3rd Floor
Las Vegas, Nevada 89106

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Permit No. 1630

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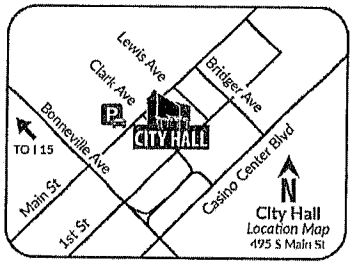
Dept of Planning
City of Las Vegas

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☐ I SUPPORT this Request

☒ I OPPOSE this Request

Please use available blank space on card for your comments.

**SDR-78245 [PRJ-78111]**
Planning Commission Meeting of **3/10/2020**

SDR-78245
16205215021
MCGRATH THOMAS & ELIZABETH TRUST
MCGRATH THOMAS J & ELIZABETH J T
3075 WESTWIND RD
LAS VEGAS NV 89146-6858

97 APDFMP1 89146

**Submitted after final agenda**

48P

# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**41**

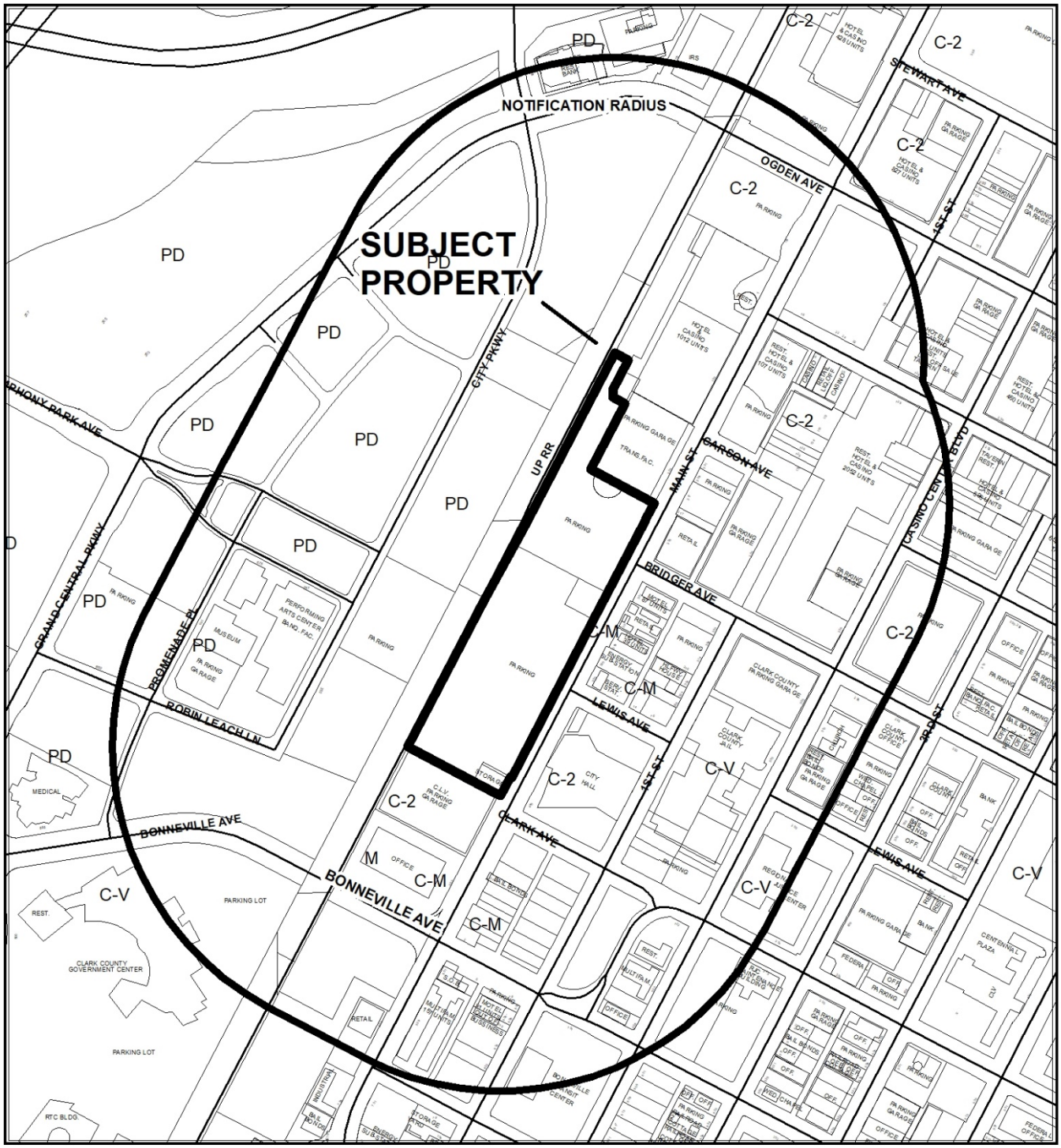
**DEPARTMENT: Planning** **DISCUSSION**
**DIRECTOR: Robert Summerfield**

**SUBJECT:**
RQR-78424 - REQUIRED REVIEW - PUBLIC HEARING - APPLICANT: PLAZA HOTEL AND CASINO - OWNER: T-UPR II, LLC - For possible action on a Required Review of an approved Special Use Permit (SUP-76219) FOR A HORSE CORRAL OR STABLE (COMMERCIAL) USE at 222, 310, 324 and 432 South Main Street (APNs 139-34-201-003, 007 and 016; and 139-34-101-009), C-M (Commercial/Industrial) and M (Industrial) Zones, Ward 5 (Crear) [PRJ-78782]. Staff recommends APPROVAL.

| **PROTESTS RECEIVED BEFORE:** | | **APPROVALS RECEIVED BEFORE:** | |
|---|---|---|---|
| Planning Commission Mtg. | 0 | Planning Commission Mtg. | 0 |
| City Council Meeting | 0 | City Council Meeting | 0 |

**RECOMMENDATION:**
Staff recommends APPROVAL, subject to conditions:

**BACKUP DOCUMENTATION:**
1. Location and Aerial Maps
2. Conditions and Staff Report
3. Supporting Documentation
4. Photo(s)
5. City Council Approval Letter - SUP-76219 [PRJ-76138]
6. Justification Letter




**CASE:** **RQR-78424 (PRJ-78782)**

**RADIUS:** 1000 FEET

**ZONING OF SUBJECT PROPERTY:** C-M (COMMERCIAL/INDUSTRIAL) AND M (INDUSTRIAL)




0 387.5 775 Feet

**CASE:** **RQR-78424 (PRJ-78782)**

**RADIUS:** 1000 FEET

**ZONING OF SUBJECT PROPERTY:** C-M (COMMERCIAL/INDUSTRIAL) AND M (INDUSTRIAL)

N

City of Las Vegas

## AGENDA MEMO - PLANNING

**CITY COUNCIL MEETING DATE: JULY 8, 2020**
**DEPARTMENT: PLANNING**
**ITEM DESCRIPTION: APPLICANT: PLAZA HOTEL AND CASINO - OWNER: T-UPR II, LLC**

## ** STAFF RECOMMENDATION(S) **

| CASE NUMBER | RECOMMENDATION | REQUIRED FOR APPROVAL |
|---|---|---|
| **RQR-78424** | Staff recommends APPROVAL, subject to conditions: | |

## ** NOTIFICATION **

**NOTICES MAILED** 153 (By Planning)

**PROTESTS** 0

**APPROVALS** 0

## ** CONDITIONS **

# RQR-78424 CONDITIONS

***Planning***

1. Conformance to the Conditions of Approval for Special Use Permit (SUP-76219) shall be required.



SS

2. Canvas screening of the chain link fencing along Main Street shall be securely fastened to the fence.

3. No further reviews shall be required.

4. All necessary building permits shall be obtained and final inspections shall be completed in compliance with Title 19 and all codes as required by the Department of Building and Safety.

5. These Conditions of Approval shall be affixed to the cover sheet of any plan set submitted for building permit.

6. All City Code requirements and design standards of all City departments must be satisfied, except as modified herein.

# ** STAFF REPORT **

## PROJECT DESCRIPTION

This is a required one-year review of an approved Special Use Permit (SUP-76219) for a Horse Corral or Stable (Commercial) use at 222, 310, 324 and 432 South Main Street. The Special Use Permit authorized the operation of an outdoor equestrian arena south of the Plaza Hotel.

## ISSUES

- This is the first Required Review of the approved Special Use Permit. A condition of approval required a public hearing before the City Council.
- A temporary business license has been issued for operation of the outdoor arena.
- There have been no Code Enforcement actions related to arena operations since approval of the Special Use Permit.
- No additional reviews are recommended.

## ANALYSIS

The site consists of a dirt equestrian arena, metal bleachers, stockyard with animal pens, and a modular structure used as an office. Parking is available to the north of the arena. As part of the accompanying Site Development Plan Review (SDR-76220), waivers were approved for chain link perimeter fencing and unpaved parking areas. The site is located in a commercial area adjacent to the Union Pacific Railroad away from other buildings.

According to the applicant's justification letter, the site hosts events typically lasting from three to 10 days that include equine competitions and shows, petting zoos, demolition derbies, rodeos and rodeo support. The layout can be modified to accommodate the type of event hosted. The Special Use Permit and Site Development Plan Review allow events year-round as opposed to a limited number of special events.

A temporary business license for arena operations was issued October 3, 2019; a second temporary license was issued April 1, 2020. A permanent license will be issued by October 2020 barring any compliance violations. A dust permit has been secured for the site. The grounds and parking area are well maintained, and there was no visible dust observed during a field check by staff. There have been no Code Enforcement actions since issuance of the business license. A posted sign prohibits outside food and drink, coolers, glass, open containers, weapons, glass or umbrellas. In addition, no concerts or music festivals are permitted as a condition of the license.

The fence along Main Street is screened with canvas banners identifying the arena. Some of the banners are not securely fastened and need to be tied down to maintain screening and avoid flapping in the wind. A condition of approval addresses this issue.

## FINDINGS (RQR-78424)

The use can be conducted in a manner that is compatible and harmonious with the adjacent uses. No violations of licensing requirements or zoning standards have been recorded since approval of the Special Use Permit. Staff recommends approval with no further reviews.

## BACKGROUND INFORMATION

| ***Related Relevant City Actions by Planning, Fire, Bldg., etc.*** | |
|---|---|
| 08/16/17 | Code Enforcement opened a Case (CE-181749) to investigate an unpermitted temporary storage yard and refuse at 324 South Main Street. The case was resolved on 10/23/17. |
| 11/28/17 | The Department of Planning approved a request for a Special Event Permit (#345833) to provide horse stalls and corrals for hotel guests during the National Finals Rodeo at 324 South Main Street. The event concluded on 12/19/17. |
| 11/29/17 | Code Enforcement opened a Case (CE-184487) for construction of a dirt lot at 324 South Main Street without a special event permit. The case was resolved on 11/29/17. |
| 10/16/18 | The Department of Planning approved a request for a Special Event Permit (#348960) to provide horse stalls and corrals for hotel guests during the National Finals Rodeo at 324 South Main Street. The event concluded on 12/18/18. |
| 03/27/19 | The Department of Planning approved a Conditional Use Verification (CUV-76154) for a Beer/Wine/Cooler On-Sale Establishment use on the subject property. |
| 07/03/19 | The City Council approved a request for a Special Use Permit (SUP-76219) for a Horse Corral or Stable (Commercial) use at 222, 310, 324 and 432 South Main Street. The Planning Commission and staff recommended approval. |
| | The City Council approved a request for a Site Development Plan Review (SDR-76220) for a proposed Commercial Recreation/Amusement (Outdoor) [Event Center] with waivers of the Interim Downtown Las Vegas Development Standards on 10.03 acres at 222, 310, 324 and 432 South Main Street. The Planning Commission and staff recommended approval. |

| ***Related Relevant City Actions by Planning, Fire, Bldg., etc.*** | |
|---|---|
| 10/03/19 | Business Licensing Enforcement conducted an inspection (80811) of the facility for conformance with licensing requirements. No issues were noted. |

| ***Most Recent Change of Ownership*** | |
|---|---|
| 02/13/15 | A deed was recorded for a change in ownership. |

| ***Related Building Permits/Business Licenses*** | |
|---|---|
| 04/15/19 | A building permit (C19-01231) was issued for installation of a 25-foot flag pole with electrical at 324 South Main Street. A sign inspection was completed 05/30/19. |
| 05/09/19 | A building permit (C19-02067) was issued for temporary electrical service for Helldorado Days vendors at 324 South Main Street. A final inspection was completed 05/10/19. |
| 05/22/19 | A building permit (C19-02222) was issued for temporary electrical service at 324 South Main Street. A final inspection was not completed and the permit expired 11/27/19. |
| 10/03/19 | A temporary business license (G67-06671) was issued for an outdoor equestrian event center at 324 South Main Street. The license remains active. A second temporary license was issued 04/01/20. |

| ***Pre-Application Meeting*** |
|---|
| A pre-application meeting was not required, nor was one held. |

| ***Neighborhood Meeting*** |
|---|
| A neighborhood meeting was not required, nor was one held. |

| ***Field Check*** | |
|---|---|
| 05/28/20 | The outdoor arena, parking area, bleachers and stables appeared to be clean and well maintained. No dust nuisance was apparent. |

| ***Details of Application Request*** | |
|---|---|
| ***Site Area*** | |
| Net Acres | 10.03 |

| ***Surrounding Property*** | ***Existing Land Use Per Title 19.12*** | ***Planned or Special Land Use Designation*** | ***Existing Zoning District*** |
|---|---|---|---|
| Subject Property | Horse Corral or Stable (Commercial) | C (Commercial) | C-M (Commercial/Industrial) |
| | Hotel/Casino (Parking Lot) | | M (Industrial) |
| North | Hotel/Casino (Parking Lot) | C (Commercial) | C-M (Commercial/Industrial) |
| | | | M (Industrial) |
| South | Government Facility (Parking Garage) | C (Commercial) | C-2 (General Commercial) |
| East | Government Facility | C (Commercial) | C-2 (General Commercial) |
| | Convenience Store with Fuel Pumps | | |
| | Hotel, Motel, or Hotel Suites | | C-M (Commercial/Industrial) |
| | Utility Installation | PF (Public Facilities) | C-V (Civic) |
| West | Union Pacific Railroad | Right-of-Way | Right-of-Way |

| ***Master and Neighborhood Plan Areas*** | ***Compliance*** |
|---|---|
| Vision 2045 Downtown Las Vegas Master Plan (Civic & Business District) | N/A |
| ***Special Area and Overlay Districts*** | ***Compliance*** |
| A-O (Airport Overlay) District (200 Feet) | Y |
| DTLV-O (Downtown Las Vegas Overlay) District – Area 1 | Y |
| LW-O (Live/Work Overlay) District | Y |
| ***Other Plans or Special Requirements*** | ***Compliance*** |
| Trails (Tortoise Trail - Main Street) | Y |
| Las Vegas Redevelopment Plan Area – Area 1 | Y |
| Interlocal Agreement | N/A |
| Project of Significant Impact (Development Impact Notification Assessment) | N/A |
| Project of Regional Significance | N/A |

## DEVELOPMENT STANDARDS

***Pursuant to Title 19.12 and 19.10.110, the following standards apply:***

| ***Parking Requirement - Downtown*** | | | | | | | |
|---|---|---|---|---|---|---|---|
| ***Use*** | ***Gross Floor Area or Number of Units*** | ***Base Parking Requirement*** | | | ***Provided*** | | ***Compliance*** |
| | | ***Parking Ratio*** | *Parking* | | *Parking* | | |
| | | | Regular | Handi-capped | Regular | Handi-capped | |
| Commercial Recreation/ Amusement (Outdoor) | 260,924 SF | 1:200 Gross Floor Area | 1,305 | | | | |
| Horse Corral or Stable (Commercial) | | One space for each 5 horses that can be boarded at the maximum capacity on the property. | | | | | |
| **TOTAL SPACES REQUIRED** | | | 1,305 | | 608 | | Y |

Projects located within the Downtown Las Vegas Overlay - Area 1 are not subject to the automatic application of parking requirements. However, the above table should be used to illustrate the requirements of an analogous project in another location in the City.

# DEPARTMENT OF PLANNING

## Application / Petition Form & Statement of Financial Interest

| Department Use | |
|---|---|
| Case # | |
| Meeting Date | |
| Total Fee | |
| Received By/Date | |

**Case Type** (Special Use Permit, Rezoning, Variance, Site Development Plan Review, etc) RQR-78424

**Project Address** (Location) 324 Main Street

**Project Name** Plaza Hotel Core Arena **Proposed Use** continue outdoor events

**Assessor's Parcel #(s)** 139-34-201-016 **Ward #** 5 - Crear

**General Plan:** Existing _____ Proposed _____ **Zoning:** Existing C-2 Proposed C-2

**Additional Information** Required Review Per letter sent by CLV February 24, 2020. SUP-76219 Outdoor Events Center

**Property Owner** T-UPR II LLC Contact Ivy Greenberg

Address 1500 Broadway 24th Floor City New York State NY Zip 10036

E-mail IGreenberg@Tamares-us.com Phone (212) 302-3144

**Applicant** Plaza Hotel and Casino Contact Linnea Mitchell

Address c/o Plaza Executive Offices, 1 Main Street City Las Vegas State NV Zip 89106

E-mail Linnea.mitchell@plazahotelcasino.com Phone _____

**Representative** Brown, Brown & Premsrirut Contact Lora Dreja

Address 520 South 4th Street City Las Vegas State NV Zip 89101

E-mail Lora@brownlawlv.com Phone (702) 598-1408

To the best of your knowledge, does the Mayor or any member of the City Council or Planning Commission have any financial interest in this or any other property with the property owner, applicant, the property owner or applicant's general or limited partners, or an officer of their corporation or limited liability company? ☐ Yes ☐ No

**If yes, please indicate the member of the City Council or Planning Commission who is involved and list the name(s) of the person or persons with whom the City Official holds an interest. Also list the Assessor's Parcel Number if the property in which the interest is held is different from the case parcel.**

**City Official** _____ **Partner(s)** _____

**Partner(s)** _____

- I certify that I am the applicant and that the information submitted with this application is true and accurate to the best of my knowledge and belief. I understand that the City is not responsible for inaccuracies in information presented, and that inaccuracies, false information or incomplete application may cause the application to be rejected. I further certify that I am the owner or purchaser (or option holder) of the property involved in the application, or the lessee or agent fully authorized by the owner to make this submission, as indicated by the owner's signature below.
- Application will not be deemed complete until the submitted materials have been reviewed by Department of Planning for consistency with the Zoning Ordinance.

**Property Owner Signature** _____

An authorized agent may sign in lieu of the property owner for Final Maps, Tentative Maps and Parcel Maps

**Print Name** IVY GREENBERG

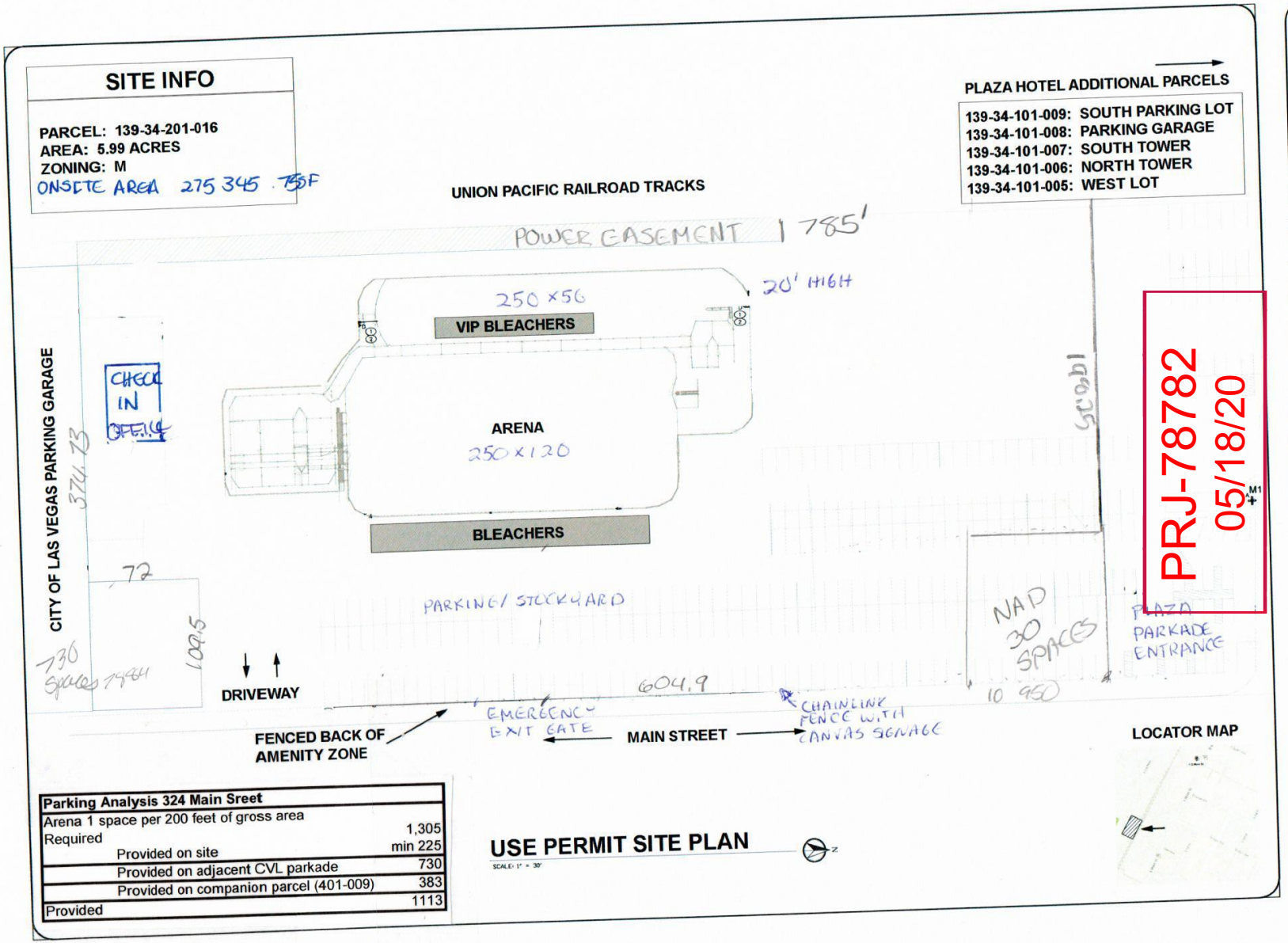
Subscribed and sworn before me

This 11th day of May, 20 20

Notary Public in and for said County and State

ALAN H. GREENBERG
Notary Public, State of New York
No. 02GR5012514
Qualified in Suffolk County
Commission Expires June 15, 2023

PRJ-78782
05/18/20


SITE INFO
PARCEL: 139-34-201-016
AREA: 5.99 ACRES
ZONING: M
ONSITE AREA 275 345 SF
UNION PACIFIC RAILROAD TRACKS
POWER EASEMENT 1785'
PLAZA HOTEL ADDITIONAL PARCELS
139-34-101-009: SOUTH PARKING LOT
139-34-101-008: PARKING GARAGE
139-34-101-007: SOUTH TOWER
139-34-101-006: NORTH TOWER
139-34-101-005: WEST LOT
250 x 56
VIP BLEACHERS
20' HIGH
ARENA
250 x 120
BLEACHERS
CHECK IN
CITY OF LAS VEGAS PARKING GARAGE
PARKING / STOCKYARD
NAP
30 SPACES
PLAZA PARKADE ENTRANCE
DRIVEWAY
604.9
FENCED BACK OF AMENITY ZONE
EMERGENCY EXIT GATE
MAIN STREET
CHAINLINK FENCE WITH CANVAS SCRIM
LOCATOR MAP
Parking Analysis 324 Main Sreet
Arena 1 space per 200 feet of gross area
Required 1,305
Provided on site min 225
Provided on adjacent CVL parkade 730
Provided on companion parcel (401-009) 383
Provided 1113
USE PERMIT SITE PLAN
PRJ-78782
05/18/20
PLAZA HOTEL & CASINO
EQUESTRIAN CENTER
1 S. MAIN STREET






PRJ-78782
05/18/20






PRJ-78782
05/18/20



**RQR-78424 [PRJ-78782] - APPLICANT: PLAZA HOTEL AND CASINO – OWNER: T-UPR II, LLC**
**222, 310, 324 AND 432 SOUTH MAIN STREET**

05/28/20




**RQR-78424 [PRJ-78782] - APPLICANT: PLAZA HOTEL AND CASINO – OWNER: T-UPR II, LLC**
**222, 310, 324 AND 432 SOUTH MAIN STREET**

05/28/20



**RQR-78424 [PRJ-78782] - APPLICANT: PLAZA HOTEL AND CASINO – OWNER: T-UPR II, LLC**
**222, 310, 324 AND 432 SOUTH MAIN STREET**

05/28/20




**RQR-78424 [PRJ-78782] - APPLICANT: PLAZA HOTEL AND CASINO – OWNER: T-UPR II, LLC**
**222, 310, 324 AND 432 SOUTH MAIN STREET**

05/28/20



**RQR-78424 [PRJ-78782] - APPLICANT: PLAZA HOTEL AND CASINO – OWNER: T-UPR II, LLC**
**222, 310, 324 AND 432 SOUTH MAIN STREET**

05/28/20

LAS VEGAS
CITY COUNCIL

CAROLYN G. GOODMAN
*Mayor*

MICHELE FIORE
*Mayor Pro-Tem*

STAVROS S. ANTHONY
CEDRIC CREAR
BRIAN KNUDSEN
VICTORIA SEAMAN
OLIVIA DIAZ

SCOTT D. ADAMS
*City Manager*

DEPARTMENT
ROBERT SUMMERFIELD
DIRECTOR

DEVELOPMENT
SERVICES CENTER
333 N. RANCHO DRIVE
LAS VEGAS, NV 89106
702.229.4830 | VOICE
711 | TTY

cityoflasvegas
lasvegasnevada.gov

July 3, 2019

Mr. Michael Pergolini
T-UPR II, LLC
c/o Plaza Executives Offfices
1 Main Street
Las Vegas, Nevada 89106

***RE: SUP-76219 [PRJ-76138] - SPECIAL USE PERMIT RELATED TO SDR-76220***
***CITY COUNCIL MEETING OF JULY 3, 2019***

Dear Mr. Pergolini:

The City Council at a regular meeting held on July 3, 2019 voted to ***APPROVE*** a request for a Special Use Permit FOR A PROPOSED HORSE CORRAL OR STABLE (COMMERCIAL) USE at 222, 310, 324 and 432 South Main Street (APNs 139-34-201-003, 007 and 016; 139-34-101-009), C-M (Commercial/Industrial) and M (Industrial) Zones, Ward 5 (Crear) [PRJ-76138].

This approval is subject to the following conditions:

***Planning***

1. Required Review at public hearing before the City Council shall be held one year from the date of final approval.

2. Conformance to all Minimum Requirements under LVMC Title 19.12 for a Horse Corral or Stable (Commercial) use.

3. Approval of and conformance to the Conditions of Approval for Site Development Plan Review (SDR-76220) shall be required.

4. This approval shall be void two years from the date of final approval, unless exercised pursuant to the provisions of LVMC Title 19.16. An Extension of Time may be filed for consideration by the City of Las Vegas.

5. All necessary building permits shall be obtained and final inspections shall be completed in compliance with Title 19 and all codes as required by the Department of Building and Safety.

PRJ-78782
05/18/20
ROR-78424

6. These Conditions of Approval shall be affixed to the cover sheet of any plan set submitted for building permit, as well as submitted as part of any business license application.

7. All City Code requirements and design standards of all City departments must be satisfied, except as modified herein.

The Notice of Final Action was filed with the Las Vegas City Clerk on July 3, 2019.

Sincerely,

Robert Summerfield

Robert Summerfield, AICP
Director
Department of Planning

RTS:PL:clb

cc: Ms. Linnea Mitchell
Plaza Hotel and Casino
c/o Plaza Executives Offfices
1 Main Street
Las Vegas, Nevada 89106

Ms. Lora Dreja
Brown, Brown & Premsrirut
520 South Fourth Street
Las Vegas, Nevada 89101

PRJ-78782
05/13/20
RQR-78424

LAW OFFICE

Brown, Brown & Premsrirut

AN ASSOCIATION OF PROFESSIONAL CORPORATIONS

JAY H. BROWN
DAVID T. BROWN
PUOY K. PREMSRIRUT

520 SOUTH FOURTH STREET
LAS VEGAS, NEVADA 89101-6520

TELEPHONE (702) 384-5563
FACSIMILE (702) 385-1023
EMAIL: jbrown@brownlawlv.com

May 15, 2020

City of Las Vegas Planning and Zoning
333 North Rancho Drive
Las Vegas, Nevada 89106

**RE: RQR-78424 Special Use Permit for Proposed Horse Corral Commercial Use**

Dear Sir/Madam:

As a condition of approval of the Plaza Hotel's Commercial Corral use and Outdoor Events center, this annual renewal is submitted for your review.

Since approval July 3, 2019, the property has hosted hosts a variety of events, including a demolition derby, petting zoos and rodeo support and equine events. Events have lasted three to 10 days. The interior layout of the site changes according to requirements of the competition need for large vehicle parking versus animal pens etc. or time of year when considering position of the seating structures.

Each event, has maintained public order, complied with air quality measures and provided sufficient parking. Note that the applicant has obtained overflow parking entitlements for a 2.3 acre vacant parcel is located 800 feet from the outdoor events center (139-34-302-007).

We are confident the past years use of the property have fulfilled the expectations of the Use Permit. Please phone me at (702) 598-1408 if you would like to discuss concerns.

With appreciation,

Lora Dreja
Land Entitlements
Brown, Brown and Premsrirut

PRJ-78782
05/18/20

# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**42**

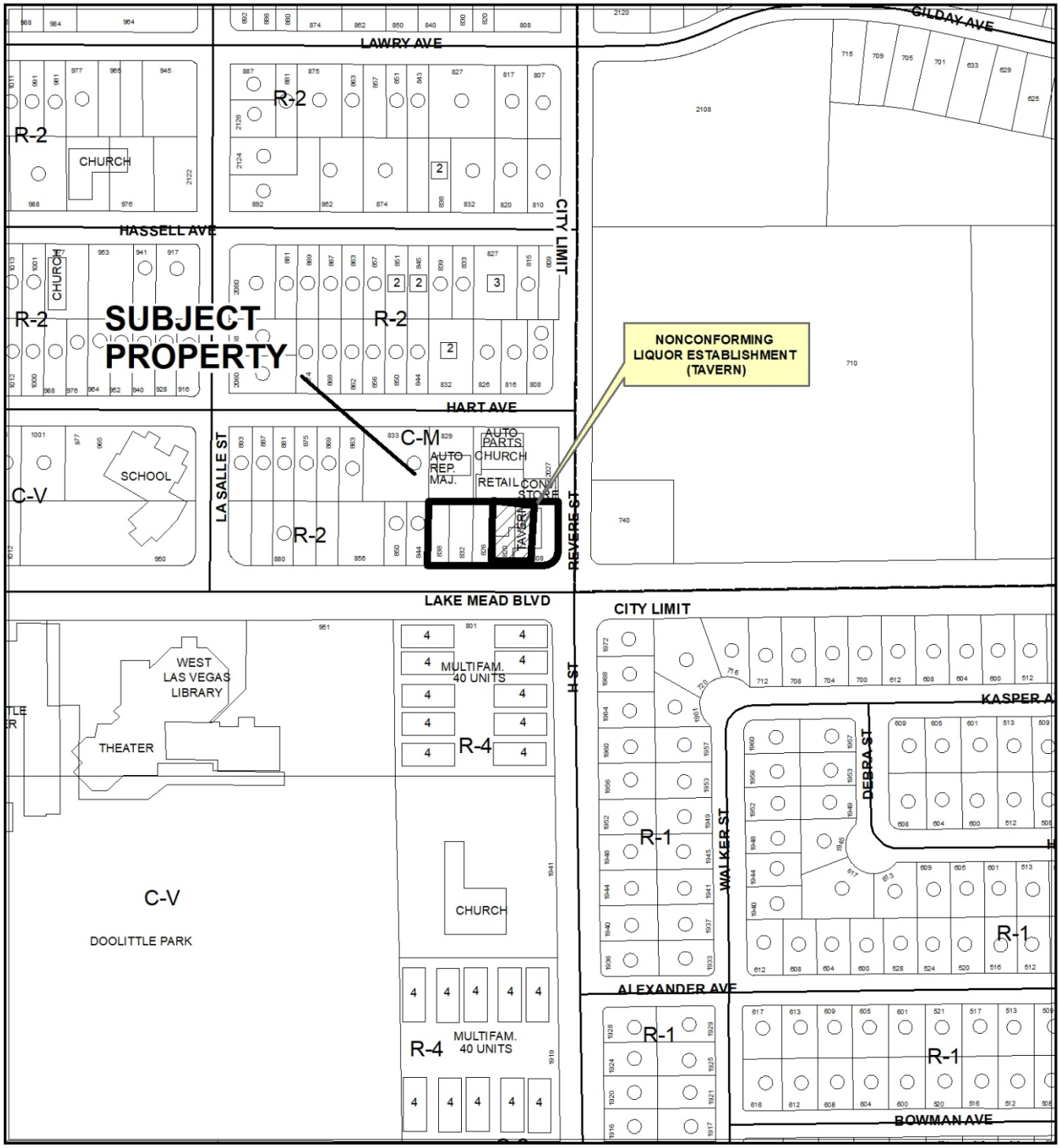
**DEPARTMENT: Planning** **DISCUSSION**
**DIRECTOR: Robert Summerfield**

**SUBJECT:**
EOT-78762 - EXTENSION OF TIME - NONCONFORMING - PUBLIC HEARING - APPLICANT/OWNER: 8TEA8 HOLDINGS, LLC - For possible action on a request for a fourth Extension of Time FOR A NONCONFORMING LIQUOR ESTABLISHMENT (TAVERN) at 808 West Lake Mead Boulevard (APNs 139-21-612-065 through 069), C-1 (Limited Commercial) Zone, Ward 5 (Crear). Staff recommends APPROVAL.

| **PROTESTS RECEIVED BEFORE:** | | **APPROVALS RECEIVED BEFORE:** | |
|---|---|---|---|
| Planning Commission Mtg. | 0 | Planning Commission Mtg. | 0 |
| City Council Meeting | 1 | City Council Meeting | 0 |

**RECOMMENDATION:**
Staff recommends APPROVAL, subject to conditions:

**BACKUP DOCUMENTATION:**
1. Location, Aerial and Special Maps
2. Conditions and Staff Report
3. Supporting Documentation
4. Photo(s)
5. City Council Approval Letter - EOT-76537
6. Justification Letter
7. Submitted after Final Agenda - Protest Postcard




0 205 410 Feet

**CASE:** **EOT-78762**

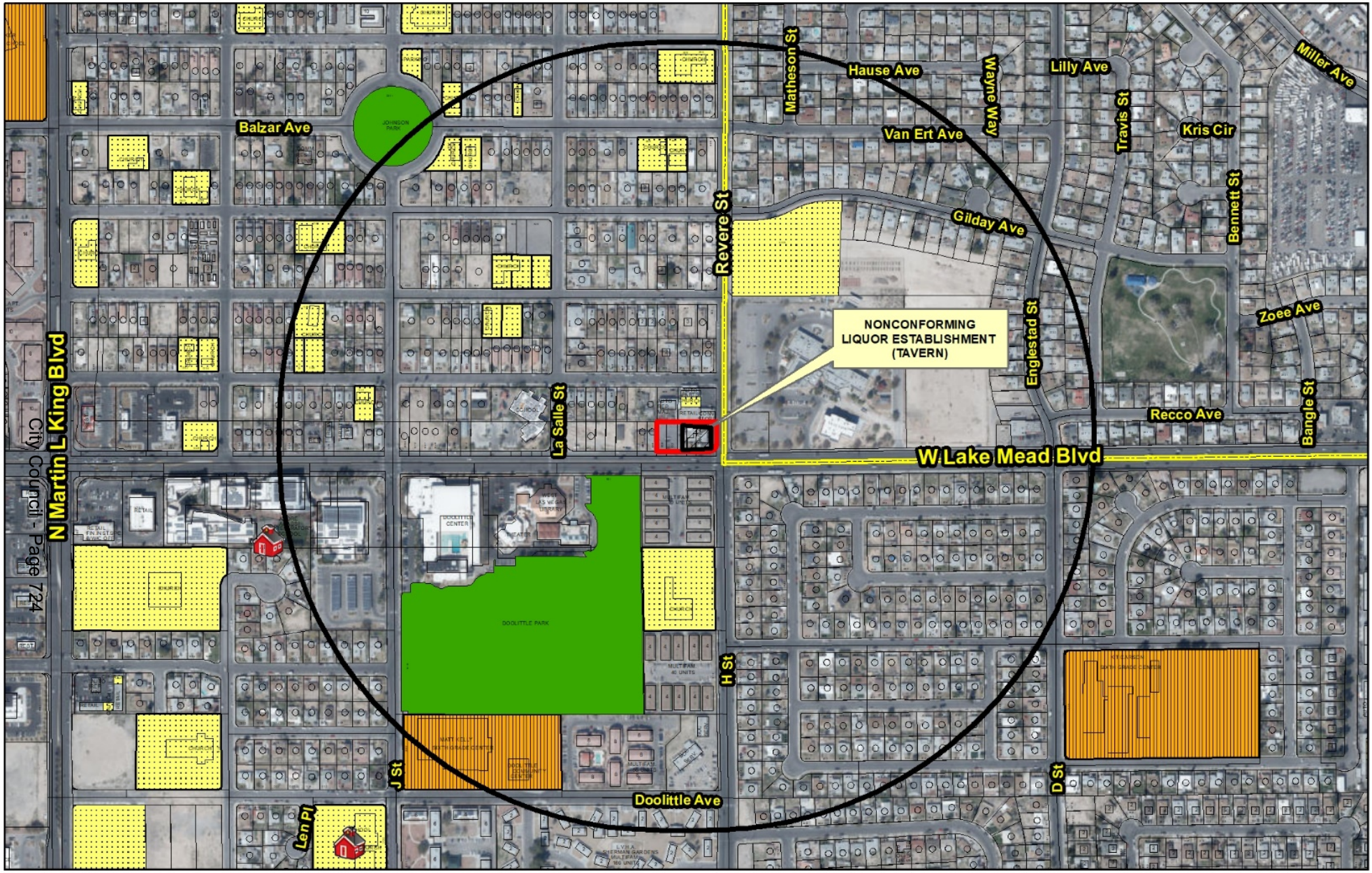
**ZONING OF SUBJECT PROPERTY:** C-1 (LIMITED COMMERCIAL)

N




**CASE:** **EOT-78762**

**ZONING OF SUBJECT PROPERTY:** C-1 (LIMITED COMMERCIAL)






**EOT-78762**

**NONCONFORMING LIQUOR ESTABLISHMENT (TAVERN)**

**Business Licenses**

- Tavern
- Tavern - Limited
- Urban Lounge
- Ancillary Brew Pub

**Protected Uses**

- RELIGIOUS
- CITY PARKS
- SCHOOLS
- Child Care/ Children Facility
- Private Schools

- Subject Property
- 1500 foot buffer

N

GIS maps are normally produced only to meet the needs of the City. Due to continuous development activity this map is for reference only.
**Geographic Information System**
Planning & Development Dept.
702-229-6301

Date: Wednesday, June 3, 2020

City of Las Vegas

## AGENDA MEMO - PLANNING

**CITY COUNCIL MEETING DATE: JULY 8, 2020**
**DEPARTMENT: PLANNING**
**ITEM DESCRIPTION: APPLICANT/OWNER: 8TEA8 HOLDINGS, LLC**

## ** STAFF RECOMMENDATION(S) **

| CASE NUMBER | RECOMMENDATION | REQUIRED FOR APPROVAL |
|---|---|---|
| **EOT-78762** | Staff recommends APPROVAL, subject to conditions: | |

## ** NOTIFICATION **

**NOTICES MAILED** 238 (By Planning)

**PROTESTS** 0

**APPROVALS** 0

## ** CONDITIONS **

# EOT-78762 CONDITIONS

***Planning***

1. This request for an Extension of Time of a nonconforming use for a Liquor Establishment (Tavern) shall expire on July 5, 2021 unless another Extension of Time is approved by the City Council.

2. All City Code requirements and design standards of all City departments must be satisfied, except as modified herein.



SS

# ** STAFF REPORT **

## PROJECT DESCRIPTION

This request is for a fourth Extension of Time FOR A NONCONFORMING LIQUOR ESTABLISHMENT (TAVERN) at 808 West Lake Mead Boulevard (APNs 139-21-612-065 through 069), C-1 (Limited Commercial) Zone, Ward 5 (Crear).

## ISSUES

- This is the fourth Extension of Time request for a legal nonconforming Liquor Establishment (Tavern) at this location.
- Title 19.14.030 authorizes Extensions of Time for certain nonconforming uses that have been abandoned due to economic hardship. Such extensions must be determined in a public hearing by the City Council.
- Title 19.14.030 also limits the Extension of Time request to not exceed the duration of the applicable abandonment period, which in this instance is one year.

## ANALYSIS

Title 19.14.030 allows for an Extension of Time to be requested for an abandoned nonconforming use when the request is due to an economic hardship based on market conditions or other circumstances beyond the applicant's control. If approved, the Extension of Time request is not to exceed the duration of the applicable abandonment period, which in this instance is one year. In accordance with Title 19, a public hearing is required so as to notify neighboring landowners and registered associations, thereby providing the opportunity for comment.

This is the fourth request for an Extension of Time for the legal, nonconforming use of an approximately 4,000 square-foot Liquor Establishment (Tavern) at this location, which is located within a standalone restaurant building constructed in 1964. The use was abandoned July 5, 2016 according to business license records and has been extended through City Council action through July 5, 2020. Ownership of the property was transferred in 2017 and the tavern assets were transferred in 2018. A permit for an interior remodel tenant improvement was issued September 9, 2019. According to the applicant's justification letter, a number of minor structural revisions are being reviewed by the city and other agencies, but more slowly than expected. The onset of the COVID-19 pandemic has further delayed construction. Therefore, additional time is needed to complete the project and open the tavern. The anticipated reopening date is mid-2020.

The subject tavern was established prior to the establishment of the minimum Special Use Permit requirements for a Liquor Establishment (Tavern) use, which require a minimum separation distance from protected uses. The subject site does not meet the minimum 1,500-foot separation distance requirements from protected uses that include a city park and a Church/House of Worship. When measured from parcel line to parcel line, Kianga Isoke Palacio Park at Doolittle Complex is approximately 115 feet southwest of the site and the Church/House of Worship use is located on the adjacent parcel to the north on the same side of Revere Street. If this request for an Extension of Time is denied, the use will cease on July 5, 2020 and will not be able to be reestablished, as the current Minimum Special Use Permit requirements set forth by Title 19.12 (including distance separation requirements) are nonwaivable.

During a recent field check, staff noted that the building is surrounded by a temporary chain link fence with several outdoor storage containers and large refuse dumpsters on the property. The windows and doors of the building were boarded up. No construction activities were taking place on the date of inspection. Staff confirmed that a Church/House of Worship use still exists on the adjacent property.

## FINDINGS (EOT-78762)

Title 19.14.030 states, “An Extension of Time may be granted by the City Council only upon clear and convincing evidence of qualifying hardship and a determination that the public health, safety and welfare will not be jeopardized.” Staff finds that the applicant has demonstrated the request for an Extension of Time due to economic hardship. The tavern use can be conducted in a manner that is compatible with the adjacent uses and there has been no noted negative effect on the protected uses while it was operational. The health, safety and welfare of the public would not be jeopardized by continuation of the Liquor Establishment (Tavern) use at this location. Staff recommends approval of the Extension of Time with a one-year time limit in accordance with Title 19.14.

## BACKGROUND INFORMATION

| ***Related Relevant City Actions by Planning, Fire, Bldg., etc.*** | |
|---|---|
| 10/06/10 | The City Council adopted Ordinance 6114, which authorized under certain circumstances an extension of time regarding the expiration of certain nonconforming uses due to economic hardship. |
| 07/18/13 | A Code enforcement Case (CE-131144) was processed for trash and debris and raw sewage at 808 West Lake Mead Boulevard. The case was resolved on 07/27/13. |
| 09/29/15 | A Code Enforcement Case (#159821) was processed for water draining from the roof due to a faulty air conditioning unit at 808 West Lake Mead Boulevard. The case was resolved on 10/21/15. |

| ***Related Relevant City Actions by Planning, Fire, Bldg., etc.*** | |
|---|---|
| 07/19/17 | The City Council approved a request for an Extension of Time (EOT-70621) for a nonconforming Liquor Establishment (Tavern) at 808 West Lake Mead Boulevard. Staff recommended approval. |
| 07/18/18 | The City Council approved a request for a second Extension of Time (EOT-73520) for a nonconforming Liquor Establishment (Tavern) at 808 West Lake Mead Boulevard. Staff recommended approval. |
| 09/05/18 | The City Council approved a request for a change of ownership of an existing nonoperational tavern at 808 West Lake Mead Boulevard from CSI Advanced Screening Services, LLC to The West Side Oasis, Inc. dba West Side Oasis. |
| 12/20/18 | Business Licensing Enforcement processed a Case (BLE573136) to investigate a complaint regarding an unlicensed food vendor in the parking lot at 808 West Lake Mead Boulevard. The case was resolved by Licensing Enforcement 06/14/19. |
| 04/03/19 | Code Enforcement investigated a Case (CE-198251) regarding a barbeque pit in the parking lot at 808 West Lake Mead Boulevard. The case was resolved by Code Enforcement 04/13/19. |
| 07/03/19 | The City Council approved a request for a third Extension of Time (EOT-73520) for a nonconforming Liquor Establishment (Tavern) at 808 West Lake Mead Boulevard. Staff recommended approval. |

| ***Most Recent Change of Ownership*** | |
|---|---|
| 09/28/17 | A deed was recorded for a change in ownership. |

| ***Related Building Permits/Business Licenses*** | |
|---|---|
| c. 1964 | The building at 808 West Lake Mead Boulevard was constructed. |
| 10/02/75 | A building permit (4333) was issued for a 250 square-foot freestanding sign at 808 West Lake Mead Boulevard. A final inspection was not completed. |
| 11/17/83 | A building permit (4333) was issued for an interior remodel tenant improvement for a restaurant, lounge and food market at 808 West Lake Mead Boulevard. |
| 01/09/84 | A business license (L16-00062) was issued for a tavern at 808 West Lake Mead Boulevard. The license was marked as out of business on 07/05/16 and placed in nonoperational status. The accompanying restaurant license (R09-00043) was also marked out of business on 07/05/16. |
| 05/09/88 | A building permit (01045) was issued for a 6-foot masonry wall along the front property line at 808 West Lake Mead Boulevard. A final inspection was not completed and the permit expired 11/23/88. |

| ***Related Building Permits/Business Licenses*** | |
|---|---|
| 04/11/90 | A business license (G01-01129) was issued for restricted gaming at 808 West Lake Mead Boulevard. The license was suspended 12/01/15 and the business establishment was marked out of business on 07/05/16. |
| 04/08/08 | A building permit (C-112208) was issued for a kitchen hood fire suppression system at 808 West Lake Mead Boulevard. The permit was finalized on 05/14/08. |
| 03/09/17 | A building permit (C-337465) was issued for an Electrical Meter Tag at 808 West Lake Mead Boulevard. The permit was finalized on 03/17/17. |
| 11/16/17 | A general business license (G65-07099) was issued for commercial leasing services at 808 West Lake Mead Boulevard. The license is active. |
| 11/16/17 | A general business license (G65-07100) was issued for vacation home support services at 808 West Lake Mead Boulevard. The license is active. |
| 09/06/18 | A privilege business license (P66-00042) was issued for a nonoperational tavern at 808 West Lake Mead Boulevard for purposes of transferring the tavern asset to The West Side Oasis, Inc. dba West Side Oasis. |
| 08/28/19 | Application was made for a privilege license (P67-00250) for a change of ownership of a nonoperational tavern at 808 West Lake Mead Boulevard from Con Con Corporation to Monaco Pub, LLC. This action has not been finalized. |
| 09/09/19 | A building permit (C19-02702) was issued for a tenant improvement remodel of an existing restaurant at 808 West Lake Mead Boulevard. A final inspection has not been completed. |

| ***Pre-Application Meeting*** |
|---|
| A pre-application meeting was not required, nor was one held. |

| ***Neighborhood Meeting*** |
|---|
| A neighborhood meeting was not required, nor was one held. |

| ***Field Check*** | |
|---|---|
| 05/26/20 | The site contains an existing building on a corner lot with signage advertising a restaurant, tavern and package liquor sales. The windows and doors to the building were boarded up, and the building was enclosed by temporary chain link fencing. Although no construction activities were taking place, piles of dirt and several large refuse dumpsters were visible on the property. The adjoining parking lot contained some old furniture and refuse. The perimeter wall along Lake Mead Boulevard remains damaged. Staff verified a Church/House Of Worship use is still in operation to the north of the site. |

| ***Details of Application Request*** | |
|---|---|
| ***Site Area*** | |
| Net Acres | 0.62 |

| ***Surrounding Property*** | ***Existing Land Use Per Title 19.12*** | ***Planned or Special Land Use Designation*** | ***Existing Zoning District*** |
|---|---|---|---|
| Subject Property | Restaurant<br>Liquor Establishment (Tavern) | C (Commercial) | C-1 (Limited Commercial) |
| North | General Retail Store, Other Than Listed<br>Church/House of Worship | MLA (Medium Low Attached Residential) | C-1 (Limited Commercial) |
| South | Multi-Family Residential | C (Commercial) | R-4 (High Density Residential) |
| East | College, University or Seminary<br>Office, Other Than Listed | CC (Community Commercial) – North Las Vegas | C-1 (Commercial Neighborhood) – North Las Vegas |
| West | Single Family, Detached | C (Commercial) | R-2 (Medium-Low Density Residential) |

| ***Master Plan Areas*** | ***Compliance*** |
|---|---|
| West Las Vegas Plan | Y |
| ***Special Purpose and Overlay Districts*** | ***Compliance*** |
| A-O (Airport Overlay) District (140 Feet) | Y |
| ***Other Plans or Special Requirements*** | ***Compliance*** |
| Trails | N/A |
| Las Vegas Redevelopment Plan Area (Area 1) | Y |
| Project of Significant Impact (Development Impact Notification Assessment) | N/A |
| Project of Regional Significance | N/A |

# DEPARTMENT OF PLANNING

**Application / Petition Form & Statement of Financial Interest**

| Department Use | |
|---|---|
| Case # | EOT-78762 |
| Meeting Date | 7/8/2020 |
| Total Fee | $1050 TOT |
| Received By/Date | |

**Case Type** (Special Use Permit, Rezoning, Variance, Site Development Plan Review, etc) Extension of Time

**Project Address** (Location) 808 West Lake Mead Blvd., Las Vegas, NV 89106

**Project Name** West Side Oasis **Proposed Use**

**Assessor's Parcel #(s)** 139-21-612-065 thru 069 **Ward #** 5

**General Plan:** Existing COMM Proposed COMM **Zoning:** Existing C-1 Proposed C-1

**Additional Information** Extension of Time for Tavern due to COVID-19 Pandemic Closures

**Property Owner** 8TEA8 Holdings LLC Contact Terry Adams

Address 3034 Archdale St. City Las Vegas State NV Zip 89135

E-mail terri.tsphere@gmail.com Phone 808-382-8481

**Applicant** Same as Owner Contact

Address City State Zip

E-mail Phone

**Representative** Contact

Address City State Zip

E-mail Phone

To the best of your knowledge, does the Mayor or any member of the City Council or Planning Commission have any financial interest in this or any other property with the property owner, applicant, the property owner or applicant's general or limited partners, or an officer of their corporation or limited liability company? ☐ Yes ☒ No

**If yes, please indicate the member of the City Council or Planning Commission who is involved and list the name(s) of the person or persons with whom the City Official holds an interest. Also list the Assessor's Parcel Number if the property in which the interest is held is different from the case parcel.**

**City Official** **Partner(s)**

**Partner(s)**

MAY 2 1 2020

Department of Planning

- I certify that I am the applicant and that the information submitted with this application is true and accurate to the best of my knowledge and belief. I understand that the City is not responsible for inaccuracies in information presented, and that inaccuracies, false information or incomplete application may cause the application to be rejected. I further certify that I am the owner or purchaser (or option holder) of the property involved in the application, or the lessee or agent fully authorized by the owner to make this submission, as indicated by the owner's signature below.
- Application will not be deemed complete until the submitted materials have been reviewed by Department of Planning for consistency with the Zoning Ordinance.

**Property Owner Signature**

An authorized agent may sign in lieu of the property owner for Final Maps, Tentative Maps and Parcel Maps

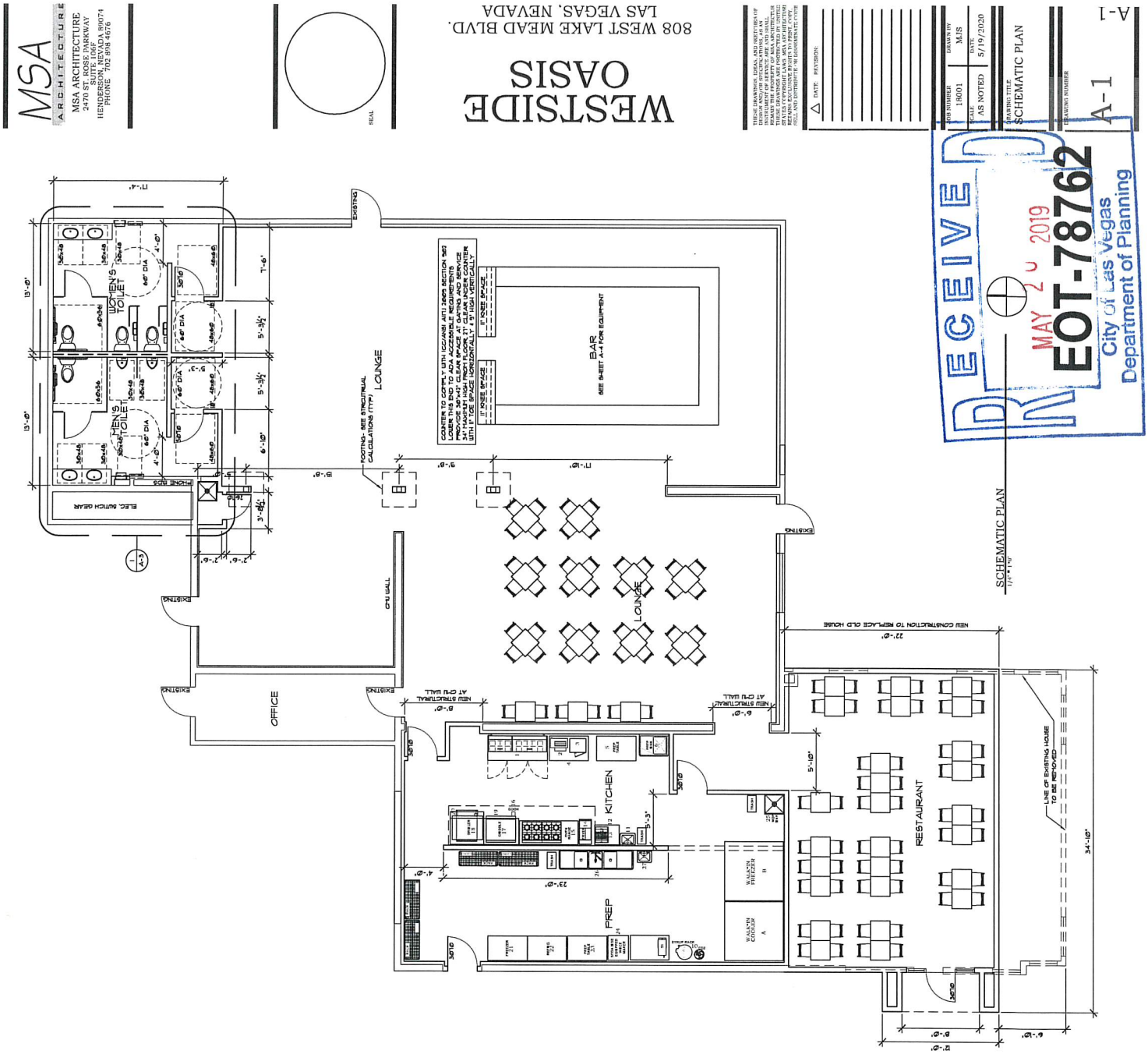
**Print Name** Terry E Adams

Subscribed and sworn before me

This 8th day of May 20 20

Notary Public in and for said County and State

ARIANA TORRES
NOTARY PUBLIC
STATE OF NEVADA
COUNTY OF CLARK
My Comm. Expires: 09-22-2020
Certificate No: 16-3903-1


MSA ARCHITECTURE
MSA ARCHITECTURE
2470 ST. ROSE PARKWAY
SUITE 109
HENDERSON, NEVADA 89074
PHONE 702 898 4676
SEAL
WESTSIDE OASIS
808 WEST LAKE MEAD BLVD.
LAS VEGAS, NEVADA
DRAWN BY MJS
JOB NUMBER 18001
SCALE AS NOTED
DATE 5/19/2020
DRAWING TITLE SCHEMATIC PLAN
DRAWING NUMBER A-1
RECEIVED
MAY 20 2019
EOT-78762
City of Las Vegas
Department of Planning
SCHEMATIC PLAN
WOMEN'S TOILET
MEN'S TOILET
ELEC. SWITCH GEAR
LOUNGE
BAR
SEE SHEET A-4 FOR EQUIPMENT
OFFICE
KITCHEN
PREP
RESTAURANT
LOUNGE
NEW CONSTRUCTION TO REPLACE OLD HOUSE
LINE OF EXISTING HOUSE TO BE REMOVED
EXISTING
NEW STRUCTURAL AT CMU WALL




**EOT-78762 – APPLICANT/OWNER: 8TEA8 HOLDINGS, LLC**
**808 WEST LAKE MEAD BOULEVARD**

05/26/20




**EOT-78762 – APPLICANT/OWNER: 8TEA8 HOLDINGS, LLC**
**808 WEST LAKE MEAD BOULEVARD**

05/26/20




**EOT-78762 – APPLICANT/OWNER: 8TEA8 HOLDINGS, LLC**
**808 WEST LAKE MEAD BOULEVARD**

05/26/20




**EOT-78762 – APPLICANT/OWNER: 8TEA8 HOLDINGS, LLC**
**808 WEST LAKE MEAD BOULEVARD**

05/26/20

LAS VEGAS
CITY COUNCIL

CAROLYN G. GOODMAN
*Mayor*

MICHELE FIORE
*Mayor Pro-Tem*

STAVROS S. ANTHONY
CEDRIC CREAR
BRIAN KNUDSEN
VICTORIA SEAMAN
OLIVIA DIAZ

SCOTT D. ADAMS
*City Manager*

DEPARTMENT
ROBERT SUMMERFIELD
DIRECTOR

DEVELOPMENT
SERVICES CENTER
333 N. RANCHO DRIVE
LAS VEGAS, NV 89106
702.229.4830 | VOICE
711 | TTY

cityoflasvegas
lasvegasnevada.gov

July 3, 2019

Mr. Terry Adams
8TEA8 Holdings, LLC
14543 Evan Way
Van Nuys, California 91411

***RE: EOT-76537 – EXTENSION OF TIME - NONCOMFORMING USE – PUBLIC HEARING***
***CITY COUNCIL MEETING OF JULY 3, 2019***

Dear Mr. Adams:

The City Council at a regular meeting held on July 3, 2019 voted to ***APPROVE*** a third Extension of Time FOR A NONCONFORMING LIQUOR ESTABLISHMENT (TAVERN) at 808 West Lake Mead Boulevard (APNs 139-21-612-065 through 069), C-1 (Limited Commercial) Zone, Ward 5 (Crear).

This approval is subject to the following conditions:

1. This request for an Extension of Time of a nonconforming use for a Liquor Establishment (Tavern) shall expire on July 5, 2020 unless another Extension of Time is approved by the City Council.

2. All City Code requirements and design standards of all City departments must be satisfied, except as modified herein.

The Notice of Final Action was filed with the Las Vegas City Clerk on July 3, 2019.

Sincerely,

Robert Summerfield

Robert Summerfield, AICP
Director
Department of Planning

RTS:clb

cc: Ms. Lucy Stewart
LAS Consulting
1930 Village Center Circle, Suite #3-577
Las Vegas, Nevada 89134

RECEIVED
MAY 21 2020
City of Las Vegas
Department of Planning



**EOT-78762**

Terry E and Hiroe S Adams
West Side Oasis
808 W Lake Mead Blvd.
Las Vegas, NV 89106

May 5, 2020

City Council and Planning Office
Las Vegas, NV

Re: Property located at 808 W Lake Mead Blvd., Las Vegas, NV 89106

Dear Sirs,

We would like to request an extension for the use permit associated with the above written properties, which Parcel ID Numbers are 139-21-612-065 to 069 ("West Side Oasis"), due to the delay in permit process and the construction caused by the current COVID-19 pandemic.

The construction for West Side Oasis started in November, 2019, but we have a few minor revisions to compensate the structural issue with the property. While permit documents can be submitted online, the review and communication process have been extremely slow with the city, water district and utility companies. Our estimated construction completion would be around September or October, if the majority of the business open in June, as the Mayor indicated.

Thank you for your consideration and please let us know if you have any questions or concerns.

Sincerely,

Terry Adams

RECEIVED
MAY 2 1 2020
City of Las Vegas
Department of Planning



EOT-78762

City of Las Vegas
Office of The City Clerk
495 South Main Street, 2nd Floor
Las Vegas, Nevada 89101

PRSRT
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**PAID**
Las Vegas, NV
Permit No. 1630

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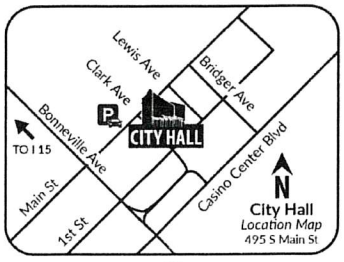
CITY CLERK

2020 JUL -2 P 3:52

**Return Service Requested**
**Official Notice of Public Hearing**




EOT-78762
13921612056
COOPER ANN
893 HART AVE
LAS VEGAS NV 89106-2305

If you wish to file your protest or support on this request, check the appropriate box below and return this card in an envelope with postage to the Office Of The City Clerk at the address listed above or fax this side of this card to (702) 382-4803. If you would like to contact your Council Representative, please call (702) 229-6405.

☐ I SUPPORT this Request ☒ I OPPOSE this Request

Please use available blank space on card for your comments.

**EOT-78762**
City Council Meeting of **07/08/2020**

Submitted after final agenda
Date 7/2/20 Item 42

# *AGENDA SUMMARY PAGE*
**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**43**

**DEPARTMENT: City Manager** **DISCUSSION**
**DIRECTOR: Scott Adams**

**SUBJECT:**
REPORTS AND PRESENTATIONS:

Report from Scott D. Adams, City Manager, on Emerging Issues - All Wards

**FISCAL IMPACT:**
None

**PURPOSE/BACKGROUND:**
The City Manager (CM) Report will be a vehicle for the City Manager to update the Council on emerging issues that may have an impact on the City of Las Vegas. The CM Report will be a recurring item for every Council meeting. If there are no items for the particular meeting, the City Manager will recommend that the item be stricken.

**RECOMMENDATION:**
Report only; no action required.

**BACKUP DOCUMENTATION:**
None

# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**44**

**DEPARTMENT: City Clerk**
**DIRECTOR: LuAnn Holmes**

**SUBJECT:**
Set date on any appeals filed or required public hearings from the City Planning Commission Meetings and Dangerous Building or Nuisance/Litter Abatements.

# *AGENDA SUMMARY PAGE*

**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**45**

**DEPARTMENT: City Clerk**
**DIRECTOR: LuAnn Holmes**

**SUBJECT:**
Citizens Participation: Public comment during this portion of the agenda must be limited to matters within the jurisdiction of the City Council. No subject may be acted upon by the City Council unless that subject is on the agenda and is scheduled for action. If you wish to be heard, come to the podium and give your name for the record. The amount of discussion on any single subject, as well as the amount of time any single speaker is allowed, may be limited.

**BACKUP DOCUMENTATION:**
1. Submitted at Meeting - NARA (Northwest Area Residents Association) - The Passer Program Documentation Submitted by Lex Anderson and Concern/Protest E-comments

# The

# Passer Program

**September 23, 2019 - June 22, 2020**

City Of Las Vegas

# NARA

NORTHWEST AREA RESIDENTS ASSOCIATION

A Rural Preservation Overlay District

Established March 30, 1995

# THE

# PASSER PROGRAM

**July 8, 2020**

Submitted at City Council
Date: 7/8/2020 Item: 45
Submitted by Lex Anderson

# The Passer Program

(Dedicated and named in memory of NARA Executive Board member JoAnn Passer)

March 16, 2011 Title #19 was adopted and upgraded from Title #18. For reasons unknown, the #19.18.020 "Convalescent Care Facility/Nursing Home" ordinance was rewritten with embellishment giving deference to "housing" as a defining nursing home identity. With this change WestCare used the new Title #19.18.020 as authority to circumvent established zoning laws that prevented their building 48 high density "Residential Housing Units" on their east 5.21 acres in 2005, to build an 87 unit high density transitional housing campus on their east 4.69 acres (decreased in size) in 2015 under the identity of a "57,999 Square Foot Convalescent Care Facility/ Nursing Home on approximately 5.00 acres". NARA documentation and arguments in opposition were literally ignored at all levels, requiring the association for the first time in two decades to have an attorney present the issue and give the case formal legal status for consideration. Subsequent court decisions denied NARA's opposition based on Title #19.18.020 authority and City Council deference.

Each City Council member received content over a 40 week period as a program for transparency, and documentation that never received attention for relevance. In total the Passer Program offers a comprehensive package of all aspects of this issue, and its associated agenda item that in fact qualifies as a seminal precedent zoning decision with the potential to impact neighborhoods throughout the city.

The Passer Program has four objectives:

Document that the 2011 Title #19.18.020 Convalescent Care Facility/Nursing Home pedestrian inclusion of housing as a defining identity is a false statement and has zero relevance for nursing homes as a defined institutional extension of the legal hospital 24/7 <u>inpatient</u> care facility system.

Document that the word "<u>inpatient</u>" status needs to be inclusive with Title #19.18.020 as the single defining criteria that nursing homes, general hospitals, specialty hospitals, and stand alone 24/7 institutional medical facilities require as their cornerstone professional and legal identity.

Reconsider WestCare's assertion that transitional housing qualifies as a nursing home inpatient facility, and deny their agenda based on documentation that the 2011 Title #19.18.020 Convalescent Care Facility/Nursing Home ordinance is in violation of Federal/Medicare law, Professional/Industry standards, NRS, Title #19, and by inclusion the Centennial Hills Sector Plan.

With a professional rewrite of Title 19.18.020 "Convalescent Care Facility/ Nursing Home" save the City of Las Vegas and the Planning Department culpable professional embarrassment by eliminating the extraneous inclusion of housing as deference for a nursing home inpatient facility identity.

With the last installment of the Passer Program, June 22, 2020, this compilation is presented as inclusive content for convenience and a future reference source. NARA also maintains a large volume of supplement documentation, back up materials, and references supporting weekly statements.

Lex Anderson

Lex Anderson/NARA Historian

# PASSER PROGRAM

# WEEKLY DELIVERY SCHEDULE

| WEEK | CONTENT DATES | DATE OF DELIVERY |
|---|---|---|
| 1 & 2 | Sept. 23 & Sept. 29 | September 23, 2019 |
| 3 & 4 | Oct. 6 & Oct. 13 | October 7, 2019 |
| 5 & 6 | Oct. 20 & Oct. 27 | October 21, 2019 |
| 7 & 8 | Nov. 3 & Nov. 10 | November 4, 2019 |
| 9 & 10 | Nov. 17 & Nov. 24 | November 18, 2019 |
| 11 & 12 | Dec. 1 & Dec. 8 | December 2, 2019 |
| 13 & 14 | Dec. 15 & Dec. 22 | December 16, 2019 |
| 15 & 16 | Dec. 29 & Jan. 5 | December 30, 2019 |
| 17 & 18 | Jan. 12 & Jan. 19 | January 13, 2020 |
| 19 & 20 | Jan. 26 & Feb. 2 | January 27, 2020 |
| 21 & 22 | Feb. 9 & Feb. 16 | February 10, 2020 |
| 23 & 24 | Feb. 23 & March 1 | February 20, 2020 |
| 25 & 26 | Mar. 8 & March 15 | March 5, 2020 |
| 27 & 28 | Mar. 22 & March 29 | March 30, 2020* |
| 29 & 30 | April 5 & April 12 | April 13, 2020 |
| 31 & 32 | April 19 & April 26 | April 22, 2020 |
| 33 & 34 | May 3 & May 10 | April 29, 2020 |
| 35 & 36 | May 17 & May 24 | May 14, 2020 |
| 37 & 38 | May 31 & June 7 | May 28, 2020 |
| 39 & 40 | June 14 & June 21 | June 22, 2020* |

Forty weeks in "gestation". "Delivery" date - June 22, 2020. "Full term" - healthy!

* * * * * * * * * * *

*The late delivery date of March 30th (also NARA's official 25th anniversary birthday date) for #27 & #28 was due to COVID-19 City Hall 7th floor access difficulty.
*The late delivery date of June 21st for #39 & #40 was due to involvement with the Deep Roots Harvest recreational marijuana issue and City Council agenda of the 17th.

City of Las Vegas

# NARA

NORTHWEST AREA RESIDENTS ASSOCIATION

A Rural Preservation Overlay District

Established March 30, 1995

To: Mayor Carolyn Goodman
Councilman Brian Knudsen - Ward #1
Councilwoman Victoria Seaman - Ward #2
Councilwoman Olivia Diaz - Ward #3
Councilman Savros Anthony - Ward #4
Councilman Cedric Crear - Ward #5
Councilwoman Michelle Fiore/Mayor Pro Tem - Ward #6

September 23, 2019

From: Rick Berni/NARA President
Lex Anderson/NARA Historian

Ref: Transparency For NARA Positions And Arguments Against WestCare's Agenda To Define Transitional Housing As A Nursing Home And Qualifying Transitional Housing Residents As "patients."

The Northwest Area Residents Association (NARA) has exhausted its resources to make a legal case against WestCare's proposal to build an 87 unit Women & Children's Transitional Housing Campus on their 5659 W. Duncan Drive east 4.69 acres under a poorly written 2011 Title #19.18.020 definition of a "Convalescent Care Facility/Nursing Home", and defining its pending Transitional Housing residents as "patients." Beginning with the August 11, 2015 Planning Commission meeting through subsequent City Council meetings and three court hearings, not once were any of NARA's specific positions or legal arguments addressed that were presented at the dais or in comprehensive communications to the 7th floor of City Hall.

The following is an initiative to simply make these NARA positions and legal arguments open and transparent for public consideration and accountability.

## The PASSER PROGRAM

**NARA has dedicated this effort as "The Passer Program", in remembrance and appreciation of JoAnn Passer who passed away June 7, 2019 after a long struggle with cancer. JoAnn held the NARA Executive Board Parliamentarian position, and had a career in nursing followed by a second career as a legal assistant. Her professional background and contribution in directing our WestCare effort to do the right thing was immeasurable. She is greatly missed.**

Over the next several months, each city Council Member will receive a weekly short statement documenting a specific position, fact, or legal argument that NARA has made in denial of WestCare's Transitional Housing/Nursing Home agenda. The objective is that with the completion of this program City Council members, and any other entities who might have an interest in this content, will have a clear understanding of NARA's positions and legal arguments. And with this understanding and compelling content that in fact WestCare's agenda is in clear violation of Federal/Medicare law, the NRS, Professional/Industrial Standards, and Title #19.

## HISTORY

NARA/WestCare history goes back some 15 years. With half of the present City Council new to the dais, a short profile of WestCare's history at its Rancho/ Duncan Drive location is important to understand the process, motivation and dynamics that has driven this agenda to its present status.

November 6, 2001, NARA received first notice that WestCare made a bid on the old structurally defective and operationally deficient Shadow Mountain Nursing building on Rancho Road for the purpose of operating a 130 bed "Women & Children's Campus" drug and alcohol rehab facility. NARA residents had concerns about this large social service project next to an established suburban neighborhood. But it was legally zoned under Title #18.

March 4, 2002, Mr. Steinberg gave NARA a presentation of WestCare's program. He was cordial, but ambiguous about future expansion. The NARA consensus was to accept WestCare's professional guarantee of this project

being compatible with the community. We had their east 5.21 acre parcel for a potential Title #18 transitional zoning buffer, and they had no plans for its development at the time.

April, 2005, WestCare began Planning Department applications to rezone their east R-E zoned 5.21 acres and build 48 units as 12 fourplex buildings to provide long term residential housing as a Women & Children's "campus." NARA vehemently opposed this agenda proposal next to an established R-E community as high density housing without a Title #18 transitional zoning buffer, especially with the existing 130 bed Women & Children's Drug & Alcohol Rehab facility. WestCare applications were repeatedly denied based on Title #18 as an incompatible high density land use and without a functional transitional zoning buffer.

February 10, 2006, WestCare began soliciting $8,292,204.00 from the community for initial essential improvements and additional planning considerations, including $3,500,000 for the "Construction of 3 Apartment Buildings" (24 units).

With the denial of 48 units, WestCare followed up with a proposal to build a 57,535 sq. ft. commercial office project on their east 5.21 acres, similar to the adjacent Rancho/Gowan Business Park. It was enthusiastically endorsed by NARA and approved by the City Council June 21, 2006. It was never built.

**Note**: In 2006, as a Rural Preservation community, the Northwest Area Residents Association (NARA), Bonanza Village, Rancho Circle, and other qualifying areas gained Overlay District status. With this new ordinance RNP's (**R**ural **N**eighborhood **P**reservation communities) were identified as "special", with guarantees of "special" land use considerations. NARA had also been included into the Centennial Hills Sector Plan, with the March 1, 2006 City of Las Vegas Centennial Hills Sector Plan publication qualifying a primary objective to preserve the character of RNP communities.

WestCare decreased their east 5.21 acre parcel to 4.69 acres, and put it up for sale for a reported $1.2 million dollars. Later it was reduced to $0.9 million. This was during the recession and it did not sell.

In 2015, using a new 2011 Title #19 definition of a nursing home, written either with an unprofessional pedestrian understanding, or with purpose and design, WestCare applied to circumvent zoning standards by identifying transitional housing as a "nursing home", and their residents as "patients." With that the housing number was basically doubled from the 2005 agenda of 48 to 87 units. Subsequent meetings and discussions only reinforced WestCare's intractable position, resource/support base, and resolve to succeed with this new direction. With an understanding of WestCare's agenda history, special resource base and special access, it was decided that for the first time in two decades NARA had no choice but to have an attorney give this agenda legal status with the probability of it going to court. It was the right thing to do.

The seminal October 21, 2015 City Council meeting agenda went exactly 3 hours long. NARA residents and attorney participation occupied only some 36 minutes. The WestCare focus was on the need for service, internal operations, their professional status as a nonprofit international corporation, and the fact that they owned the property. Not one of NARA's fundamental positions, Title #19 arguments, or inpatient/outpatient status legalities were addressed at the dais. When one resident told how he routinely had to clean up WestCare resident litter, condoms, and small squares of aluminum foil across the street from his house just out of sight from the WestCare main building, a councilman ridiculed the report and stated if he had the power he would put two of the proposed agenda facilities across the street from the speakers home. Another councilman accused NARA residents of being "racists" and "liars." The agenda was unanimously passed in favor of WestCare.

August 10, 2016, a special meeting was held on the 7th floor of City Hall with NARA , Planning, City Attorney, and Councilman Barlow on speaker phone, for NARA to present its argument that the Title #19 definition of "Convalescent Care Facility/Nursing Home" clearly and factually contradicts itself within the ordinance and violates professional/industry standards. The Inpatient/ outpatient arguments were not presented at this time with the perception that Title #19 content alone should be adequate. At the end of the meeting the City Attorney stated, "I don't see any problem." With that, the discussion was

over. This basically gave additional legal status to the October 21, 2015 City Council decision.

Subsequent to the City Council meeting there were two District Court and one Appeals Court hearings which essentially sent the agenda back to the September 21, 2015 status and City Council deference. This will be addressed in the pending weekly NARA position and legal argument installments.

The following attachment begins with the first two weekly installments of the Passer Program initiative to bring transparency to NARAs agenda position and legal arguments to the City Council, and subsequently to anyone who may have an interest in this issue.

Rick Berni/NARA President

Lex Anderson/NARA Historian

Chuck Bennion, Esq./NARA Legal Counsel

NARA

Established March 30, 1995

**PASSER PROGRAM ATTACHMENT TO THE**
**September 23, 2019**

**"Transparency For NARA Positions And Arguments Against WestCare's Agenda To Define Transitional Housing As A Nursing Home And Qualifying Transitional Housing Residents As "patients".**

NARAs positions and legal arguments were not addressed at any of the Planning Commission, City Council or court hearings. This is a listing to provide transparency and compelling content that WestCare's agenda to build a high density 87 unit Transitional Housing complex under the current Title #19.18.020 definition of a "Convalescent Care Facility/Nursing Home" is in violation of Federal/Medicare law, Professional/Industrial Standards, NRS, and Title #19. The listing is in no particular order. It will continue to be sent weekly to the City Council, and to other public entities upon request until the primary list has been completed.

**Week of September 23:** **Title #19.18.020** **#1**

Title #19.18.020 specifically excludes nursing homes from qualifying as transitional housing. "Community Residences: The use includes a Family Community Residence and a Transitional Community Residence, but does not include any of the following: #3 Convalescent Care Facility/Nursing Home."

**Week of September 29:** **Housing** **#2**

WestCare repeatedly states that the singular objective of their proposed 87 unit Women & Children's Drug & Alcohol Campus transitional housing is to "provide a roof over their heads." Nursing homes are not residential living.

Nursing homes are in fact a professional and legal extension of the 24/7 inpatient hospital system.

**Week of October 6:** **Defined By Census** **# 3**

The industry standard for Drug & Alcohol transitional housing is a maximum of 10 persons in a home. A cornerstone for defining WestCare's transitional housing as a nursing home is based on the Cities decision that because WestCare's pending Women & Children's campus has 87 units it is larger than what is allowed for transitional housing. With that the City is compelled to qualify it as a nursing home. Nowhere at the Federal/ Medicare, Professional/Industrial Standards, or State/NRS level is patient census used as a numbers consideration in defining a hospital, stand alone medical facility, or nursing home.

**Week of October 13:** **Inpatient vs. Outpatient** **# 4**

By definition, there are only two (2) kinds of patients. A person is either an "**in**patient" or an "**out**patient." Outpatients have a medical condition that can be treated at home or at scheduled clinical or doctor's office appointments. Inpatients have a diagnosis that requires admission and confinement to a 24/7 institutional medical facility for observation and intervention. Transitional housing patients may in fact be "outpatients", but they cannot quality for "inpatient" status and 24/7 hospital, stand alone medical facility, or institutional nursing home admission.

**Week of October 20:** **Title #19 Change From Title #18** **#5**

**Title #18** defined: "Convalescent Care Facility/Nursing Home means a building that is used or designed or intended to be used to provide care for persons who have a chronic physical or mental illness or infirmary. The term includes a rest home but does not include an apartment house, hospital or special care facility.. *For reasons unknown*, in 2011 **Title #19** modified the definition as: "A building or structure, designed, used, or intended to be used to house and provide care for persons who have a chronic physical or mental illness or infirmity, but who do not need medical, surgical or other specialized treatment normally provided by a hospital. The term includes a 'rest home' and 'nursing home', as well as a use that would qualify as a Community Residence except for the limitation on the number of residents, but does not include an assisted living apartment, hospital or other medical facility that is specifically defined in this chapter." Nowhere in Federal/Medicare law, Professional/Industrial Standards, or the NRS is a nursing home defined within the context of, (1) "Community Residence", or (2) based on a "resident" population census. Of note is that the key words, "patient"," inpatient" or "outpatient" are absent in both Title #18 and the Title #19 nursing home definition.

**Week of October 27:** **Nursing Homes Are Hospitals** **# 6**

Nursing homes, like stand alone specialty medical units, are in fact hospitals. They are part of the 24/7 institutional hospital inpatient system, requiring a physician's diagnosis and order for admission, specific orders for professional nursing patient care, ancillary services, therapeutic modalities, and 24/7 observation and intervention as required. Nursing home inpatients are restricted to the facility except for specialized testing or clinical evaluation not provided by the nursing home, with transportation and supervision provided by certified medical staff. Inpatients are transferred or discharged from a nursing home only with a legal physicians specific order for justification. Inpatients that leave (elope) from a nursing home without a physician's order (AMA - against medical advice) will qualify for outpatient status.

**Week of November 3:** **Transitional Housing for Outpatients Only** **#7**

WestCare defines their 87 unit Women & Children's Drug & Alcohol Campus transitional housing occupants as, "87 adult patients." This could be a valid prerequisite for 87 adult **out**patient Drug & Alcohol transitional housing status. Unless WestCare can qualify their "87 adult patients" as **in**patients they will remain transitional housing residents, and will not have legal status for inpatient 24/7 institutional nursing home admission.

**Week of November 10:** **Children In Nursing Homes As Dependents** **#8**

WestCare's 87 unit Women & Children's Drug & Alcohol transitional housing is specifically designed to accommodate women and their dependent children. Nursing homes are a legal extension of the institutional 24/7 inpatient hospital system for professional nursing observation, intervention per physician orders and for disease and injury resolution. Westcare's application to include, "AN AVERATE OF 87 RELATED MINOR CHILDREN OF NOT MORE THAN NINE YEARS OF AGE" to their "87 ADULT PATIENTS" is incompatible with nursing home operations and industry standards. Dependent children cannot be legally admitted as nursing home inpatients along with their mothers as a matter family integrity. **Note**: Federal law defines dependent children/minors as up to age 18, which would apply to WestCare's proposed facility.

**Week of November 17:** **Misleading Agenda Identity** **#9**

The 2011 Title #19.18.020 revision includes both transitional housing and outpatient status within the context of Convalescent Care Facility/Nursing Home. This is in violation of NRS 449.204 "Misleading name or other

designation of facility prohibited. The name, sign, listing or other designation of a medical facility or facility for the dependent must not contain any terms misleading to the public with regard to the services offered." The general public understands that a nursing home is for the care and treatment of sick and injured patients who require 24/7 inpatient services less than what a general hospital offers. Identifying transitional/residential housing under a professional inpatient nursing home status is at the very least "misleading."

**Week of November 24:** **Agenda Setting Title #19 Precedent** **#10**

Title 19.18.020 sets a precedent. This ordinance allows WestCare to qualify transitional housing under the definition of an inpatient Convalescent Care Facility/Nursing Home and circumvent Title #19 established zoning criteria for neighborhood residential character and integrity. With this precedent, zoning standards and buffering criteria are redefined from Title #18; allowing any social service housing program with residents qualifying as outpatients to establish a facility with greater than 10 residents in virtually any non-gated residential neighborhood in the city under the identity of a "nursing home." This is basically "legislation from the bench/dais" without due process for consideration of ordinance zoning intent, purpose, and residential impact.

**Week of December 1:** **No Treatment** **#11**

WestCare repeatedly reinforced that there will be no treatment given to any of their "87 adult patients" at the proposed 87 unit Women & Children's transitional housing complex. This reinforces the outpatient status of the transitional housing residents. By definition a nursing home is defined by treatment prescribed by a physician's orders to inpatients for assessment and intervention by licensed professional nursing staff in a 24/7 institutional setting. Without a "treatment" function, a "Convalescent Care Facility/Nursing

Home" would not qualify for licensure and operational status.

**Week of December 8:** **Inpatient vs. Outpatient Confinement Status** **#12**

Transitional housing outpatients may come and go as they wish for recreation, shopping, visiting, or for work, therapy, scheduled doctor's appointments, classes, etc. Inpatients are admitted and confined to a hospital, nursing home or stand alone specialized medical facility 24/7 and cannot leave without a physicians order. Inpatients that leave a nursing home or other hospital 24/7 patient care facility against medical advice (AMA) are discharged and qualify for outpatient status, sometimes referred to as follow up "after care."

**Week of December 15:** **First District Court Hearing** **#13**

The first District Court hearing was on April 10, 2016. Judge Johnson ruled May 25th that WestCare was in violation of the Open Meeting Law, and the agenda was vacated. There was no discussion of any of NARA's positions of: Federal/ Medicare law, Professional/Industry Standards, NRS, Title #19, or Inpatient/ Outpatient status arguments.

**Week of December 22:** **Second District Court Hearing** **#14**

The second District Court hearing was on August 17, 2017 with Judge Elissa Cadish's decision on August 21 in favor of WestCare, ruling the City Council had deference over their city ordinances for definitions and Special Use Permits as they see fit. If the City wanted to call Transitional Housing a "nursing home" by ordinance, they could do it. This virtually reinforced and reintegrated the city attorney's one sentence comment of August 10, 2016 for deference authority. There was no discussion of any of NARA's positions of: Federal/

Medicare law, Professional/ Industry Standards, NRS, Title #19, or Inpatient/ Outpatient status arguments.

**Week of December 29:** **Appeals Court Hearing** **#15**

The Appeals Court decision filed December 11, 2018 denied NARA's argument based on the premise that the Cities definition was valid, and that NARA did not, "...show that the City Council acted arbitrarily or capriciously and abuse its discretion." The court assumed that the Cities definition was legally valid. Basically, this court said the same thing Judge Cadish said, and that the city has deference ("discretion") to define anything anyway they care to define it.

In fact, the issue was not about being in compliance with the cities definition of a Convalescent Care Facility/Nursing Home. The issue was about NARA's arguments with the illegality of the Cities definition of Title #19.18.020, based on Federal/ Medicare law, Professional/Industry Standards, NRS and Title #19. And with that there was no discussion of any of NARA's positions of Federal/ Medicare law, Professional/Industry Standards, NRS, Title #19, or Inpatient/ Outpatient status arguments.

## 2020

**Week of January 5:** **Court Cases Reviewed** **#16**

Special Note: The District Court case of August 17, 2017 and the Appeals Court decision of December 11, 2018 both came to a common conclusion that based on the assumed face value legitimacy of Title #19.18.020 the City of Las Vegas had the authority to define ordinance content, and with that authority use deference to enforce its meaning. NARA argued through the Planning Commission, City Council and court hearings with submitted documentation, that the Title #19.18.020 definition of Convalescent Care Facility/Nursing Home

was in fact illegal, grossly lacking with professional input, specifically contradicted within its own Community Residence (#3) ordnance, embellished with content that is irrelevant to the definition, and in violation of Federal/ Medicare law, Professional/Industry Standards, and the NRS.

The courts did not address NARA's input, of which virtually any single item could have nullified the Title #19.18.020 definition as written, and with that given the City of Las Vegas the opportunity to reevaluate their City Council decision of October 21, 2015. This Passer Program is specifically presented to the City Council to review content that was presented to the dais, and to the courts, along with additional medical, administrative, management and legal information. And with this comprehensive understanding of nursing homes from professional input, embolden the City Council to reassess Title #19.18.020 content, and correct "Convalescent Care Facility/Nursing Home" within a context specifically defined by "inpatient" status.

**Week of January 12**: **Physical Medicine vs. Behavioral Medicine** **#17**

Just as there are only two categories of patients; (1) **in**patients and (2) **out**-patients, the medical profession is fundamentally defined by two categories: (1) physical medicine (medical disease/illnesses & surgical intervention), and (2) behavioral medicine (psychiatry & mental/behavioral illness). Physical medicine inpatient admissions are evaluated and treatment ordered in general hospitals, specialty hospitals, stand alone 24/7 facilities and nursing homes. Behavioral medicine inpatient admissions are evaluated and treatment ordered in psychiatric hospitals and specialty 24/7 behavior intervention institutions for dysfunctional behaviors/addiction, and for assimilation into a mainstream lifestyle and culture. Transitional housing for behavioral medicine drug and alcohol recovering outpatients neither qualify for nursing home status as an inpatient facility, nor do they qualify for nursing home admission status based on a primary need for physical medicine (medical/surgical) intervention and resolution.

**Week of January 19:** **NIMBY** **#18**

The argument that opposition to WestCare's agenda is based on a NIMBY (**N**ot **I**n **M**y **B**ack **Y**ard) attitude has no merit. In addition to nursing homes being specifically excluded as "Family Community Residence and a Transitional Community Residence" within Title #19.18.020, the definition of "Convalescent Care Facility/Nursing Home" is fundamentally invalid without being defined by inpatient status. With nursing homes being specifically excluded as transitional housing within the ordinance, and the definition being fundamentally flawed without inpatient status, transitional housing under the identity of a nursing home would be legally invalid in ANY residential neighborhood/community. Note: With WestCare's 130 bed Women & Children's Drug & Alcohol Rehab Campus, and "It's A New Day" adult day care facility in the Rancho/Gowan Business Park right next to it that doubles as a Medicare resource center and homeless courtyard Monday - Friday, the NARA community is already contributing considerably in supporting City of Las Vegas social service needs.

**(A copy of the September 23, 2019 City Council letter on this topic is attached this date for reference).**

**Week of January 26:** **ICD-10 & DSM-5 CODING SYSTEM** **#19**

In regards to the two major divisions of medicine, (Physical Medicine, and Behavioral Medicine), each has its own formal legal professional publication defining all diagnosis and procedures by identity code numbers. Physical Medicine (medical/surgical) has the current International Classification of Diseases (**ICD-10**), adopted by the World Health Organization (**WHO**) and the US Congress with over 80,000 identity codes for diagnosis and procedures.

Behavioral Medicine has the registered trademark Diagnostic and Statistical Manual of Mental Disorders (**DSM-5**), a 941 page "touchstone classification of mental disorders" code book of the American Psychiatric Association that

identifies all psychiatric, mental and behavioral diseases/illness, and addictions with their patient diagnosis for related admission and intervention/treatment status. Admission to a nursing home would require a primary diagnosis with one or more corresponding specific Physical Medicine ICD-10 codes for 24/7 inpatient observation, treatment and resolution. With a primary Behavioral Medicine DSM-5 diagnosis code a patient would not qualify for a nursing home inpatient admission, and nursing professional staff would not be qualified to provide care required for an inpatient with a primary behavioral medicine DSM-5 code. **(See attached photo of an ICD-10 and DSM-5 for reference.)**

**Week of February 2:** **Agenda Parcel Size Change** **#20**

Federal/Medicare, Professional/Industrial Standards, the NRS, and Title #19.18.020 (Community Residence, #3) clearly document that transitional housing cannot be identified as a nursing home. With that, WestCare's agenda reverts to a high density housing status without a zone compliance buffer similar to what was denied in their 2005 application, with two exceptions: (1) WestCare's present application virtually doubles the housing units from 45 (12 fourplex units) in 2005 to 87 single units in 2015. (2) *For reasons unknown*, with the doubling of housing this parcel size was decreased from 5.21 acres in 2005 to 4.63 acres in 2015, and the difference transferred to the main campus owned commercial C-2 zoned property. **(See attached WestCare 2005 and 2015 housing landscape plans, and August 11, 2015 Planning Staff Report for reference.)**

**Week of February 9:** **Coding And Inpatient Admission/Payment** **#21**

ICD-10 and DSM-5 codes are perhaps most significant in their function of defining payment for service. As specific codes identifying disease, injury and procedures, and codes used to qualify inpatient and outpatient admission and

discharge, they are inexorably tied to justifying Medicare and private insurance reimbursement. Hospitals, stand alone 24/7 medical facilities, nursing homes, mental health facilities, durable medical equipment (DME) companies and virtually every resource using insurance payment are intimately and professionally sensitive to assigned ICD/DSM codes, and whether or not the service, medication or medical equipment is justified under the codes assigned to the specific patient care status. Medical administration and professional staff (coders) insure that patient codes are compatible with the services and resources assigned so that insurance payment will be forthcoming. Nursing homes will not accept outpatients, diseases, or post op status hospital patients that have ICD-10 or DSM-5 codes incompatible with the professional services and resources they have to offer. With that, transitional housing outpatient residents would be administratively disqualified for nursing home 24/7 inpatient admission by virtue of their ICD-10 or DSM-5 code status.

**Week of February 16:** **Land Use Distance Compliance** **#22**

Title #19.18.020 requires a minimum of 660 ft between "Community Residence (Including Family Community Residence and Transitional Community Residence/Conditional Use Regulations)" facilities in compliance with Industry Standards to, (1) mitigate neighborhood clustering of social service businesses impacting neighborhood identity and character, and (2) for a separation from potential influences between transitional housing facilities and associated institutions to facilitate quality management for a therapeutic environment. This ancillary 87 unit transitional housing proposal for recovering drug and alcohol dependency mothers being constructed as a residential complex to integrate with the existing Social Service Facility, and a property line that abuts the 130 bed Women & Children's Drug & Alcohol main campus, would be in violation of both Title #19 and with professional/ institutional standards of separation intent and purpose.

**Week of February 23:** **Code Of Federal Regulations** **#23**

The U.S. Government Code of Federal Regulations (**CFR**) uses the two patient categories of inpatient and outpatient prolifically in defining criteria for both physical medicine and behavioral medicine resource justification. The key words are, "reasonable and necessary in treating the beneficiary", with Medicare being the standard for reference, and the difference between inpatient and outpatient status justified and defined by the need for services, and with inpatient qualified as a "24 hour period or longer." As a defined inpatient medical institution and an extension of the formal hospital inpatient system, nursing homes will only admit patients under a physician's ordered CFR "reasonable and necessary treatment" criteria, requiring 24/7 professional nursing assessment, observation, and intervention per physician orders. Transitional housing outpatient residents would not qualify for nursing home inpatient status under CFR and Medicare criteria, without meeting the prerequisite for physician ordered "reasonable and necessary" criteria 24/7 treatment directives.

**Week of March 1:** **"After Care" = Outpatient** **#24**

WestCare has defined their proposed "87 BED CONVALESCENT CARE FACILITY/NURSING HOME" as an "after care type of a facility for housing." "After care" is a pedestrian/lay term, that is also used occasionally in the NRS, with Medicare terminology for the general public, and within the U.S. Government Code of Federal Regulations (CFR). The term "after care" refers to care given after discharge from an inpatient facility, for either home health care, outpatient clinic services, or office visits. "After care" means "outpatient care", as in after inpatient care. There is no such thing as an "after care nursing home." A nursing home is a legal extension of the 24/7 hospital system for inpatient observation and patient care intervention in compliance with physician's orders, professional/industry standards, and legal

ICD-10 codes justifying admission and insurance compensation. "Housing" or a "roof over their head" for residential living may assist with outpatient status recovery and residency, but it is not a legal justification or defining function as nursing home admission.

**Week of March 8:** **Inpatient Physician Ordered Diet & Certified Food Handlers** **#25**

All inpatients admitted to a nursing home have a diet per physicians orders as part of their therapeutic intervention. Examples: regular, ADA/No Concentrated Sweets-RCS, mechanical soft diet, honey thick liquids, pureed diet, no added salt diet/2-gram low sodium, low fat/low cholesterol cardiac diet. All meal preparation is supervised by a Registered Dietitian and workers in the institutional kitchen are required to have food handlers cards by law. In addition, inpatient intake (how much they are eating and drinking) and output (if they are retaining fluid and if they are having regular bowel movements) are documented and considered in relationship to their diagnosis. If the inpatients are ambulatory, or wheelchair status, their specifically ordered diet is brought to them in an institutional/communal dining setting. Otherwise, if they are on "bed rest" status they eat in their room. Nursing staff insure that medications required to be taken with meals are observed and documented taken as ordered. Transitional housing residents eat in a "family" setting as defined by Title #19 and the NRS. Particular individual diets are the responsibility of the individual resident as with any family situation. The group/"family" meal preparation, group dining, and group clean up is part of the therapeutic environment for interpersonal behavior modification, intervention for assuming responsibilities, and transitioning from an inpatient institutional status to a mainstream lifestyle and culture.

**Week of March 15:** **Building/Structure vs. Units/Complex/Campus** **#26**

Title #19.18.020 defines Convalescent Care Facility/Nursing Home as "A building or structure to house and provide care for persons who have a chronic physical or mental illness or infirmity, but do not need medical , surgical or other specialized treatment normally provided by a hospital." The ordinance also defines a nursing home as a single building or structure to provide supplementary treatment ancillary to a 24/7 hospital facility admission. Historically, WestCare proposals for this parcel have always been for "apartments", "cottages", "campus housing", "transitional housing", fourplex, or individual "units". WestCare's proposed transitional housing complex is not a single structure, and it is not built with an economy of scale to accommodate an inpatient census for 24/7 observation, treatment and intervention per physicians orders.

**Week of March 22:** **Charter School Needs** **#27**

WestCare's children of age go to school, and because of their family history they have special behavior and values intervention needs for a constructive learning environment. WestCare has reinforced this reality with identifying charter school programs as an optimum resource for meeting these dependent pedagogy needs. In their 2006 $8,302,204 public solicitation for funding, $250,000 was designated towards an onsite 80 student 7-12 charter school to serve, "...at-risk youth from the greater Las Vegas area." July 11, 2007, a proposal was made at the City Council to have a WestCare Charter School grades 6-12 created two blocks north at 4075 Rancho Drive. And WestCare has networked with Odyssey for their charter school use as a resource.

Expanding 87 adult drug and alcohol recovering outpatients to the existing 130 bed main campus facility with their proposed 87 unit transitional housing, plus their dependent children, would significantly increase the number of children requiring school attendance. With a lot of hard work, last Fall (2019) the nearby Claude & Stella Parson Elementary Public School managed to increase its rating from very bottom 1 star status to a 2 star, and efforts continue with

programs to increase its student performance. By WestCare standards a school in a substandard performance transition status is not an optimum choice for their unique student special needs, and it would require the CCSD to come up with additional professional staff and funding. Before any housing proposal with additional special needs students are added to the Parson Elementary School current main campus census, charter school resources need to be addressed with financially budgeted as an accountable prerequisite.

**Week of March 29 :** **NARA 25th Anniversary!** **#28**

The Passer Program takes license with content this week to acknowledge the **Official 25th Anniversary of NARA, March 30, 2020.** NARA has been identified as the City of Las Vegas "Quintessential example of what a Rural Preservation Overlay District Community could be like." In 1995 applications for apartments and high density housing adjacent to our established suburban/rural R-E community brought the residents together. With the direction of our new and ardent councilman, an astute Planning Commission and a sensitive City Council to Title 18 criteria , the high density proposal was denied. This turned out to be both an education and a wakeup call that future similar proposals and agendas were imminent, and that the community was going to need a voice. With that, March 30, 1995, NARA was officially organized. Soon after we found ourselves with another high density agenda, but this time NARA had an established community identity and organization to go forward.

In 2005, Rural Preservation designations were given historic NRS Overlay District status with "special" considerations from urban standards, qualifying RNP's (Rural Neighborhood Preservation) as another ordinance based option of the many City of Las Vegas diverse lifestyles. The Las Vegas Sun gave this new ordinance an in depth review including NARA, Bonanza Village and Rancho Village in its write ups. With that NARA made a commitment to sustain the community within the original intent and purpose of its Rural Preservation and 2005 Overlay District status.

NARA's internal and peripheral HOAs are part of its history. NARA residents and the association Executive Board actively participated with HOA developer neighborhood meetings with the understanding that well planned Title #18 & #19 HOAs on adjacent R-E parcels would be economically and culturally compatible with Rural Preservation as "RNP Communities of a Common Interest." This would be a win/win, with the HOA's being a zoning buffer to high density housing, and the RNP community an asset for HOA property values. With that, NARA's HOA's have been seminal with community identity. HOA residents have been NARA Executive Board Members, served on committees, and it was HOA legal and resident participation that created and maintain Patriot Community Park and the San Miguel Community Garden.

Based on NARA identified as the "Quintessential example of what a Rural Preservation Overlay District could be like", November 1, 2017 UNLV and NARA signed an interlocal agreement, with The City of Las Vegas contributing $100,000 towards a UNLV , "Rural Preservation Community Development Plan (neighborhood plan) for the Northwest Area Residents' Association (NARA)." The study process was modeled from the Westside 2014 "HUNDRED Plan" urban study with academic, professional consultant and resident input. As with the Westside, with a commitment of political interest and support this study has the potential for complementing and enhancing NARA Rural Preservation Overlay District original intent and purpose amidst northwest growth and progress.

Subsequent to NARA's initial 1995 organization , NARA has been a work in progress with an ongoing education to the realities of politics, deference to ordinance standards, developer access, and the diversity of both Planning Commission and City Council representation . With that we continue to up hold Rural Preservation's original 2005 Overlay District intent and purpose, preserve RNP identity as an ordinance established lifestyle option, and support NARA's mission statement to that end.

Attached is a copy of "NARA, How It All Began", a short memoir of how NARA became organized and "born out of necessity", which UNLV including in their University Downtown Design Center "NARA DESIGN BRIEF."

Also attached is a copy of our NARA Annual Community Meeting flier for door to door delivery to our 733 residents. With the impact of the COVID-19 event, and our local Claude & Stella Parson Elementary School closed to after school meetings, the event was canceled. The flier will profile some of the issues agendas, and concerns our community is working on.

**Week of April 5:** **Land Use & Zoning** **#29**

Federal Medicare law, Professional/Industrial standards, NRS and Title #19 clearly document that WestCares 87 unit transitional housing campus cannot qualify as a "Convalescent Care Facility/Nursing Home." With that, WestCare's east 4.69 acres, (23,790 sq ft./.52 acres transferred from the original 5.21 acres August 10, 2006) remains as a potential buffer "infill development." West-Care's current agenda of 87 units is double their 12 fourplex 48 unit application from 2005 on 5.21 acres. Under Title #19 zoning code, fourplex housing qualifies as R-4 zoning. New development adjacent to established R-E "rural component" communities requires a land use buffer graduation of zoning development from R-E, beginning with R-D 1/4 acre parcels to the applied for zoning application. Title #18 was incorporated into the Title #19 UDC March 16, 2011. With the elimination of R-PD-3 in 2011, R-4 zoning ranks 8 categories down the land use density scale from the established adjacent R-E zoned Rural Preservation neighborhood to R-4. Developing R-4 zoned fourplex housing adjacent to an established R-E community would qualify as developer "spot zoning" or zoning "leap froging" which is antithetical to Title #19 residential building code for all the right reasons. In addition, Rural Preservation was given Overlay District status in 2005, with "special" zoning considerations to sustain Rural Preservation intent and purpose by ordinance, and its residential character, culture, identity, integrity, lifestyle, property values and safety concerns. If the density for 48 units was denied as an incompatible zoning land use in 2005 on 5.21 acres, it would seem logical that 87 units on 4.69 acres in 2015 a decade later would be at least equally prohibited.

**Week of April 12:** **Gated Transitional Housing Community Security** **#30**

WestCare reinforces and makes special note of their planned prototype transitional housing security system as a functional component to neighborhood compatibility. In fact, the proposed facility camera, gated security system, and curfew time is there only to protect the transitional housing residents from external unwanted and unauthorized persons entering the campus who could be motivated with untoward intentions. This is similar to a monitored HOA gated community entrance . It only provides a deterrence, or impediment to mitigate untoward behavior within the confines of the facility. With an open campus, and residents free to come and go as they wish, WestCare's interior security system is irrelevant to mitigating potential untoward behavior in the immediate neighborhood by the very persons their security system is keeping out. WestCare's proposed security system for their 87 unit complex security system is for the "village housing" residents to "be protected in a secure environment from forces and things that occur that would try to intrude on their lives that are negative things" (8/11/15). Nursing home security and policy is primarily to legally keep inpatients in their facility for medical treatment and nursing intervention.

**Week of April 19:** **Transitional Housing Prototype** **#31**

WestCare asked the City of Las Vegas to endorse a high density land use housing program agenda, under the definition of a nursing home to circumvent established zoning criteria, with individual units for mothers who have graduated from their adjacent inpatient institutional facility with their dependent children. WestCare identifies and promotes their proposed agenda as an 87 unit Women & Children's Drug & Alcohol Campus transitional housing architecturally designed "master planned community" prototype. And with the success of this new program it will be implemented elsewhere throughout their 27 state, and 2 territory, 144 facility corporate setting. This is not a half

way house, quarter way house or group home setting. There is no treatment or therapeutic intervention to be offered at this campus. Without professional and industrial standards defining outpatient transitional housing with a census of over 10 qualifying as a Convalescent Care Facility/Nursing Home, WestCare's land use proposal is fundamentally an independent social service archetype, and yet to be academically/professionally validated and certified for licensure in a defined appropriate setting before it is legally operational anywhere. And it is not in compliance with a nursing home inpatient status definition.

**Week of April 26**: **Agenda Defined By Resident Census** (again) **#32**

Eleven times, "A roof over their head" is publically stated and documented as WestCare's seminal agenda objective with providing a residential transitional resource for their Women & Children's Drug & Alcohol Campus program for economic stability towards mainstream assimilation. The Planning Department stated categorically that because the program collective units amount to more than 10, with one unit defined as one patient/occupant, the program facility is over the defined maximum 10 person therapeutic transitional housing criteria. Planning stated that with 77 ("adult patient") residents over the allowed 10 resident industry standard occupancy for therapeutic transitional housing (with varying degrees of supervision) this new program was disqualified under the Title #19 transitional housing category, and was therefore assigned as a nursing home under the existing Convalescent Care Facility/Nursing Home definition based entirely by the numbers, or more specifically the facility adult occupancy census. **"The use qualifies as a Convalescent Care Facility by virtue of providing transitional living quarters and amenities that accommodate more persons than a Community Residence as defined by Title #19 would." "The reason convalescent care is specifically carved out of the, community residence is because, the use, the community residence is limited to no more than 10 people, where as convalescent care is for more people. So it, it's , it doesn't fit in there. Convalescent care is intended for more people." (8/21/15)**

Instead of denial as high density housing, *for reasons unknown* Planning was compelled to integrate this agenda into the poorly written 2011 Nursing Home definition without the consideration of NARA documentation, and without a land use category for this new program. The principle role of a nursing home is not defined as providing a residential "roof over their head." Nursing home facilities are institutional buildings by design, built to economies of scale for efficient professional nursing and inpatient resource allocation, and not residential "units." Inpatient status for the transitional housing residents was not considered as the defining cornerstone of nursing home identity. Children, who by federal law are defined as up to age 18, were not included as part of the agenda census, and they cannot be admitted to a nursing home under the category as "dependent children." With no Title #19 land use category for this prototype facility, the agenda should have only qualified for denial.

**Week of May 3:** **Corona virus (COVID-19) "Wuhan Virus"** **#33**
**National Nurses Week**

This week, beginning May 6th as National Nurses Day, ends with National Nurses Week on May 12th commutating Florence Nightingale's birthday. The World Health Organization (WHO) has designated 2020 as the "Year of the Nurse and Midwife", in honor of the 200th birth anniversary of Florence Nightingale. COVID-19 has put the nursing profession and it's demanding commitment for hospital and nursing home inpatient care to the national forefront, perhaps as no time in the past. Nursing homes have been identified as the #1 vulnerable congregant population with some inpatients having physiological diseases, compromised immune systems, and other underlying contributing factors often (not always) related to age. With only routine staffing, resources, and supplies available, compounding the impact on inpatient nursing homes for both COVID-19 infection/transmission control and intervention, the demand has been overwhelming. That being said, some nursing home facilities have been converted and staffed to treat just COVID-19 hospital patient overflow. The National Guard has been called upon to assist

with mitigating the nursing home COVID-19 crisis, both in Nevada and other states.

There has been no mention of transitional housing being identified as a vulnerable congregant facility population within this crisis, or as a resource for COVID-19 intervention. And transitional housing has not been identified or defined as a facility for inpatient COVID-19 containment or intervention.

**Week of May 10:** **Institutionalization** **#34**

By definition, nursing homes are an extension of the formal 24/7 hospital, specialty hospital and offsite site facility institutional hospital system requiring a physician's order for admission, diagnosis, treatment as ordered and intervention as required, continuous supervision, and legal physician's order for transfer or discharge. Transitional group home housing, specifically for drug and alcohol intervention and other behavioral diagnosis categories are programs of deinstitutionalization through a family profile group setting for behavior modification and accountability to progress, advance, and transform from a strict institutional setting to a mainstream culture and lifestyle. Addiction recovery transitional group housing supervision may vary from assigned staff to various degrees of in house peer behavior reinforcement . Transitional housing for only residential occupancy are not institutional by design, not part of a behavioral medicine deinstitutionalization program, and do not require in house supervision. Transitional housing may in fact continue to provide residency for "after care" outpatients, but they do not qualify as 24/7 hospitalization, off site facility or nursing home institutional inpatient status.

**Week of May 17:** **Nonprofit Status** **#35**

WestCare often makes special note of its nonprofit business model status. A nonprofit organization is defined as, " A religious, scientific, research, educational or civic setting that has been granted tax exempt status by the Internal Revenue Service (IRS) and does not pay income tax on the money that they receive for their organization because it furthers a social cause and provides a public benefit." With that tax exempt privilege for meeting an essential public service comes special obligations and accountability to the tax payer and to the public who make this possible.

This obligation was very well expressed by the Salt Lake City Tribune January 1, 2020, when it became the first newspaper in the United States to adapt a nonprofit tax exempt business model stating, "The Salt Lake Tribune will now be lead by the community it serves and funded in large part by the community it empowers." And that it, "...now belongs to you, the community it was founded to serve." and, "...governed by and funded by the people it represents." Also, as a community institution, "We will be transitioning to a **board of directors** like all nonprofits, and so the paper who be governed by this board that is **representative of the community.**"

As a nonprofit corporate behavioral medicine neighborhood drug and alcohol intervention facility, WestCare has a special obligation to professionally meet both the needs of its clients, and be a partner and supporter with its adjacent community taxpayer/stakeholder property owners (residents) and neighborhood identity values. With a nonprofit business model and responsibility to play by the rules, an intimate professional understanding of inpatient and outpatient requirements, and a Board of Director commitment to being a community partner that includes the adjacent neighborhood, WestCare would do well by reassessing their corporate position of advocating high density housing as a nursing home to circumvent zoning requirements next to an established RNP community, and its defining transitional housing residents as "patients" to suggest that they could qualify with inpatient nursing home status based on an imprecisely and unprofessionally written Title #19.18.020 definition of "Convalescent Care Facility/Nursing Home."

**Week of May 24:** **Rural Preservation Overlay District By Ordinance** **#36**
**UNLV/NARA/CLV Interlocal Agreement Study**

The Passer Program would not be complete without underscoring RNPs (Rural Neighborhood Preservation) original 2005 intent and purpose, and the impact of the WestCare agenda on Rural Preservation as an Overlay District by statute. The original 2005 RNP ordinance was explicitly established to set apart and, "classify hundreds of acres within the city as rural", with, "an ordinance to create rural preservation neighborhoods", that would include the Scotch 80's and Rancho Circle. (Aug 12, 2005)

County Assessor, Mark Schofield stated that the "motivation for the proposed creation of rural preservation neighborhoods appears to be to protect the rural lifestyle of hundreds of city homeowners." The Las Vegas Sun reported that, "Supporters of the measure also argue that the extra layer of protection will preserve the integrity of homes on half-acre lots that are being threatened by the encroachment of higher density growth that in some cases surrounds them." "The ordinance requires 'adequate buffer areas adequate screening and an orderly and efficient transition of land uses'. The word 'adequate' is not defined'." The Sun also states that this is a "national movement". Assembly woman Marilyn Kirkpatrick who was an advocate for rural preservation encouraged the city to create its own rural preservation neighborhoods and helped draft the proposed ordinance. Chuck Pulsipher, Planning Manager for Clark County said, "Rural Preservation neighborhoods are designed to give property owners and buyers an idea of what to expect and what not to expect, such as a high density neighbor. Rural Preservation as an Overlay District by definition brings with it location stability as a key component. It establishes the ground rules for property owners and developers. (Aug 12, 2005). The basic language was taken from the old NRS law. With that, Rural Preservation is, in fact, one of many City of Las Vegas legal residential lifestyle options defined by ordinance, with an obligation of the city to enforce laws and municipal codes to sustain its unique residential status. NARA has a 25 year history representing the substance of Rural Preservation identity, and more than once singled out as. "The quintessential example of what a Rural Preservation Overlay District community could be like." With that, it needs to

be recognized with certainty that, "As Title #19.18.180 goes, so goes NARA." WestCare's current agenda is the culmination of a 15 year (+) corporate objective to develop high density housing on their east 5.21/4.69 acre parcel adjacent to an established ordinance defined RNP community and lifestyle. The Unified Development Code lists as its first function, "To preserve and enhance the present qualities and advantages that exist in the city." And without the implementation of a graduation of the UDC zoning buffer in compliance with code to mitigate impingement and degradation on the Seven Elements of RNP & Residential Living: (**1**) Character, (**2**) Culture, (**3**) Integrity, (**4**) Identity, (**5**) Lifestyle, (**6**) Property Values and (**7**) Security Concerns, Rural Preservation would be fundamentally redefined as would be other communities throughout the suburban Las Vegas valley.

The use of deference, especially on an established residential Overlay District, should be applied with neighborhood support and a consensus in the interest of both the city and the RNP community, and not one of special interest access and affront, suspect political objectives, and the debasement of established lifestyles and hard earned homesteads.

The two interlocal UNLV/City of Las Vegas sponsored studies of the WestSide and NARA repeatedly endorse a "celebration" and ownership of these special neighborhoods, and encourage the residents and city to advocate for their identity and sustainability. It is part of our residential diversity and history. And the Passer Program is part of that initiative as a community effort to defend, preserve, embrace and support Rural Preservation as part of this administration legacy.

Special Note: In the Planning Department Staff Report for WestCares agenda, NARA was denied Rural Preservation Overlay District status under Special Purpose and Overlay Districts as being relevant for buffer considerations.

**Week of May 31:** **Completion Of 37 Weekly Content** **#37**

The Passer Program substantive installments end with May 24 concluding **37** weeks of annotation, to follow with conclusion, recommendations and WestCare. This is a partial list. Additional content including licensure(s), state & federal certification(s), professional certification(s), facility engineering criteria, private industry certifications such as specific JCH inspections, and more, extend the list.

The objective of the Passer Program, and the weekly statements is to provide transparency and content of NARA positions and legal arguments that were not addressed at any of the Planning Commission, City Council, or the three court hearings. And with that compelling content qualify WestCare's agenda to build a high density 87 unit Transitional Housing complex under the current Title #19.18.020 definition of a "Convalescent Care Facility/Nursing Home" as in violation of Federal/Medicare law, Professional/Industrial Standards, NRS, and Title #19. And based on submitted documentation, justify a rewrite of Title #19.18.020 Convalescent Care Facility/Nursing Home with professional input and "**inpatient**" status as the seminal defining criteria. The preceding 37 annotations should be sufficient to that end.

**Week of June 7:** **CONCLUSION** **#38**

The objective of the Passer Program is to bring transparency to the City of Las Vegas City Council of previously submitted professional/legal documentation that define a nursing home, that was not considered or otherwise overlooked under #19.18.020. And with that transparency evaluate WestCare's assertion that transitional housing can be identified specifically as outpatient residential housing within the context of an inpatient nursing home medical facility using the Title #19.18.020 Convalescent Care Facility/Nursing Home 2011 definition.

**Medicine** is defined within two (**2**) classifications:

Physical Medicine - which includes medical diagnosis and surgical intervention as defined within the ICD-10.

Behavioral Medicine - which includes mental health diagnosis and addiction recovery for professional intervention as defined within the DSM-5.

**Patients** are defined within two (2) classifications:

Inpatients - with legal admission by a physician and confinement in a 24/7 institutional setting (general hospital, specialty hospital, stand alone facility, nursing home) for professional nursing observation and intervention, and discharge or transfer per physician's orders.

Outpatients - for hospital & nursing home "after care" in a clinic, physician's office or home health care setting as directed by a physician's order.

The Passer Program categorically documents that transitional housing specifically designed for residents qualifying with outpatient status cannot qualify as an inpatient institutional facility which includes nursing homes. Additionally, outpatients receiving treatment at a clinic, doctors office, or hospital department for outpatient "after care" cannot qualify for admission to a 24/7 medical institution inpatient nursing home facility without a physician's diagnosis, applicable ICD-10 codes, and admission orders for observation and treatment. Furthermore, putting behavioral diagnosed patients in a defined medical setting for treatment and intervention would be without a therapeutic direction and illegal by professional and industry standards. Likewise, putting a medically diagnosed patient in a behavioral setting for intervention would also be without a therapeutic direction and illegal by professional and industry standards.

The Passer Program documents that the proposed 2015 WestCare transitional housing agenda, being identified as a nursing home by census numbers within the current Title #19.18.020 definition to circumvent established zoning criteria, is also both denied within Title #19 under the definition of transitional housing, and out of compliance within zoning criteria for a transitional buffer to safeguard residential identity and community values as demonstrated and documented in WestCare's 2005 agenda denial.

Virtually any one of the total 40 weekly submissions from this primary listing would be sufficient to justify a reexamination of the 2011 Title #19.18.020 nursing home definition with **inpatient status** as the singular defining requirement for nursing home

identity. In review, listed below are some of the seminal Passer Program highpoints for transparency:

Title #19, in fact, specifically exempts nursing homes from being transitional housing under "Community Residence (Including Family Community Residence and Transitional Community Residence)."

There is no deference for circumventing Federal/Medicare Law and Industry/ Professional medical definitions or standards to meet a local ordinance.

WestCare's application to identify their transitional housing as a nursing home was qualified on a Planning Department assessment based on the transitional housing residents being identified as "patients", and with a census of 87 campus "patients" being over the 10 person industry standard maximum for therapeutic transitional housing settings.

There is no Title #19 category for transitional housing above 10 residents.

Nursing homes are not individual units. They are institutional facilities specifically built to maximize human and material resources with cost efficiencies to treat an inpatient census in compliance within professional and legal standards.

There is no professional/industry standard definition of a nursing home based on inpatient census. Nursing homes are not defined by a census over 10 or any other numbers criteria. They are built to industry standards and economies of scale to admit and treat medical and post op inpatients for 24/7 professional nursing observation, treatment per physicians orders, intervention as required and discharge or transfer per physician orders.

There are only two (2) kinds of patients; inpatients and outpatients. West-Care's identifying their transitional housing residents as "patients", without specifically defining their transitional housing residents as possible "outpatients", and not inpatient nursing home status, was misleading, deceptive, disingenuous, and by itself should have denied their application.

In 2005 WestCare's application for 48 units on their east parcel was specifically defined as 5.21 acres. In 2015 WestCare's application for 87 units on their east

parcel was defined as "approximately 5 acres." In fact the parcel was decreased by .52 acres in October 10, 2006 to 4.69 acres, and documented as such in the Planning Staff Report. With that the application being listed in the public notice as "approximately 5 acres", giving the parcel an assumed 5.21 acres as previously applied for a decade earlier, was misleading, deceptive, disingenuous, "suspect", and in itself should have denied their application with Open Meeting Law violation considerations.

WestCare's transitional housing will provide residency for mothers with their children. Nursing homes do not allow children to be legally admitted based on their dependent status, and to stay with their inpatient mothers.

Transitional housing "outpatients" can leave their residence for medical treatment, work, recreation, and personal reasons. Nursing home inpatients are admitted and confined to the institution 24/7 per physician's orders.

WestCare has stated that there will be no treatment being given to their residents in the 87 unit Women & Children's Transitional housing. Nursing homes exist specifically for treatment based on a physician's orders.

ICD coding is a seminal criteria for differentiating inpatient and outpatient status. Admission to a nursing home require specific ICD codes based on a physician's diagnosis and orders for admission, treatment and legal discharge or transfer. ICD coding is neither a prerequisite nor relevant for residential transitional housing occupancy.

More specifically to the WestCare agenda, with the qualifying of a high density housing project under the identity of the present 2011 Title #19.10.020 definition of "Convalescent Care Facility/Nursing Home" on their east 4.69 acres, and without a graduation in zone buffering as defined by Title #19, this would be a precedent to allow any number of federal funded housing initiatives for a broad cross section of social service resources allowed within residential areas. This single agenda item both (1) sets a new zoning standard city wide , and (2) redefines a Title #19 city ordinance, both without due process.

There is no deference to federal law and professional/industrial standards.

It's never wrong, or too late, to do the right thing When you violate the code from its intended purpose you violate the neighborhood lifestyle, and you violate who we are as a community. Once you change the dynamics of a neighborhood you change the community forever. Why or who added the 2011 Title #19 embellished content to Title #18 , implying that nursing homes could be identified as a "roof over your head" is irrelevant. What is important is to correct the error, and give Title #19.18.020 "Convalescent Care Facility/Nursing Home" a definition within a professional context. Title #19.18.020 Convalescent Care Facility/Nursing Home needs to be amended/rewritten and defined by its primary identity as a legal extension of the formal 24/7 hospital **inpatient** system for medical and surgical post op professional nursing observation and intervention per physicians orders. A professionally written definition with the seminal legal qualification of **inpatient** status would categorically clarify any pedestrian understanding of nursing home identity. And with that it would avert future confusion leading to endorse, enable, or be complicit or culpable with agendas under a false nursing home identity.

The following Title #19.18.020 specific recommendations for a "Convalescent Care Facility/Nursing Home" definition revision are as follows:

1. Eliminate any wording in "Convalescent Care Facility/Nursing Home" eluding to nursing homes as being "housing" and patients as "residents." The primary function of a nursing home is not a residency or "roof over your head". Also, eliminate the mention of the antiquated and outmoded pedestrian terms "rest home" and "infirmary" which like "sanitarium" has no congruity with a contemporary and professional nursing home identity.

2. Redefine Convalescent Care Facility/Nursing Home, with the added legal qualification of "**inpatient**" status, per physicians order. This one word will resolve any misunderstanding or discrepancy relating to nursing home identity. Also, include admission/discharge per physician's orders which also defines nursing homes within their component as an extension of the legal inpatient hospital system.

**Old** Title #18 Definition

"Convalescent care facility/nursing home means a building that is used or designed or intended to be used to provide care for persons who have a chronic physical or mental illness or infirmary. The term includes a rest home but does not include an apartment house, hospital, or special care facility".

**NRS** Definition

"Facility for Skilled Nursing means an establishment which provides continuous skilled nursing and related care as prescribed by a physician to a patient in the facility who is not in an acute episode of illness and whose primary need is the availability of such care on a continuous basis."

**Current** Title #19 Definition

"Convalescent Care Facility/Nursing Home. A building or structure designed, used or intended to be used to house and provide care for persons who have a chronic physical or mental illness or infirmity, but who do not need medical surgical or other specialized treatment normally provided by a hospital. This use includes a "rest home" and "nursing home", as well as a use that would qualify as a Community Residence except for the limitation on the number of residents, but does not include an "assisted living apartment, "hospital: or other medical facility that is specifically defined in LVMC Chapter 19.18."

## Proposed Title #19 - Revised Definition.

**"Convalescent Care Facility/Nursing Home." A building or structure designed, used, or intended to be used to provide inpatient care for persons with an illness, disease, or injury, and medical needs less than that required of a general or specialty hospital. Patients are admitted by a physicians order for inpatient 24/7 professional nursing treatment, observation, and intervention as necessary, and discharged or transferred per physicians order.**

The new definition is legal, factual, uncomplicated, without embellishment, identifies land use, and requires no criteria to classify or describe what it is not. The specific defining identity of **inpatient status** eliminates all other considerations, and Title #19 already excludes transitional housing to qualify as a nursing home. There is no need to indicate inpatient age profile because there isn't one. "Chronic" or "non acute" status is not the defining criteria. Admission is entirely based on the inpatient's diagnosis, and therapeutic nursing intervention needs. There is no need to indicate length of stay. Again, length of stay is determined by a physician's orders, the necessity for continued nursing observation and intervention, and diagnosis progress. Admission diagnosis justification, inpatient status, and physician's orders define a nursing home. Patients with a mental illness diagnosis are treated at inpatient behavioral health facilities with intervention resources specific for behavior and addiction diagnosis.

**Week of June 21** **WESTCARE** **#40**

WestCare's agenda is based on (**1**) ownership of the property, (**2**) a need for the service its proposed facility would provide, and (**3**) authority of the Title #19.18.020 nursing home definition as it is presently written. With documentation that the 2011 Title 19.18.020 Convalescent Care Facility/Nursing Home definition is in violation of

Federal/Medicare law, Professional/Industry standards, the NRS, and Title #19.18.020, WestCare's agenda application is without merit. Perhaps unwittingly, this agenda has done the city a favor by pointing out a legally flawed ordinance requiring professional input for revision and validity within industry standards.

WestCare's vacant 4.69 infill parcel needs to be developed, and within a land use criteria harmonious and compatible with the existing adjacent R-E zoned Rural Preservation Overlay District ordinance based community. Below are the 3 most often listed proposals NARA has presented in the past for community compatibility and within zoning compliance.

1. Corporate office: WestCare does not own a permanent corporate building for their 27 state, and total 144 nonprofit corporate social service institutions nationwide and international with facilities also in the territories of Guam and St. Croix. WestCare owns the property. With that it has been suggested that WestCare build a permanent C1/Office zoned corporate office at this location next to their inpatient facility, and move back into the City of Las Vegas.

2. Build on it: WestCare never followed through with their 2006 NARA endorsed and unanimously approved agenda application to build a C-1 zoned business/ office facility similar to the adjoining Rancho Gowan Business Park. This would be an optimum consideration as harmonious and compatible RNP land use zoning and as an acceptable residential buffer.

3 Sell it: WestCare is sitting on a 4.69 acre parcel that has commercial office value. During the recession a decade ago it was priced at $1,200,000.00 and reduced to $900,000.00. Up until January, 2020, before the CORONA-19 virus impacted real estate sales, we were experienced the best economy in half a century with construction everywhere and a "For Sale" sign on almost every vacant parcel in the valley. Recovery will come about. And with inexorable northwest area growth WestCare will have another opportunity to sell their 4.69 acres at a strong market value and apply the profit towards their nonprofit corporate objectives.

All medical entities, insurance companies, and durable medical equipment providers, are intimately familiar with inpatient/outpatient status as the fundamental criteria for

justifying needs and services as part of their business model. WestCare is part of this profile. With this background, and decades of professional business endeavors at the operational level, WestCare made their 2015 agenda application with full corporate knowledge of the difference between Physical Medicine vs. Behavioral Medicine, and with Inpatient vs. Outpatient status as the seminal justification for nursing home identity, inpatient admission/patient care criteria , and payment/ reimbursement from virtually all sources. With this cornerstone understanding, and in the interest of neighborhood compatibility, it would be in the highest professional business and nonprofit corporate standards and corporate image, for WestCare to formally and officially relinquish their agenda, without prejudice, with or without explanation.

**NOTE**

**Week #40 ends the biweekly distribution of the Passer Program. Attached is a photo/copy of the May 14, 2018 "A Request For Consideration For A Professional Definition And Revision of Title 19.18.020 Convalescent Care Facility/ Nursing Home" that was distributed to all City Council and Planning Commission members, and pending administrative action. It was denied the process. A new application will be forthcoming to correct this denial, using the Passer Program for content documentation, authority and justification.**

City Of Las Vegas

NARA

NORTHWEST AREA RESIDENTS ASSOCIATION

A Rural Preservation Overlay District

Established March 30, 1995

# NARA

# Northwest Area Resident's Association

## How It All Began

**(Lex Anderson/NARA Historian)**

***"It's all Linda Young's fault!" That's what you often hear from NARA members both in jest and in fact who were present at the time of NARA's beginnings. Many of these folks still live here who had been living in this quiet rural area for many years prior to NARA. And they won't hesitate to tell you what it was like... "way back when".***

***We moved here from Wiesbaden AFB in Germany in 1980. After renting a house for two years we decided that Las Vegas was "the place" that we wanted to call home. We found this house on a half acre in what was then a quiet, relatively rural setting. It was our first house and we could just barely afford it, but it was for the long haul, and as a family we made a commitment. The neighbors behind us had horses, many people had chickens, someone had a peacock, and the veterinarian down on the corner had a cow in his back yard. In the morning roosters would crow and it sounded like Old McDonald's farm! Sometimes we would see a road runner using the top of our back yard block wall for a highway to get from point A to point B. The kids loved it. And it was fun to watch the small private airplanes fly over the house as they came in for a landing at the little airport down the street. It really felt like home, especially with the airplanes and being an Air Force family.***

*It all started like this. We were eating dinner one evening November of 1994. There was a knock on the door. I answered it. There was a middle aged black lady wearing a funny hat standing there with papers in her hand, and the conversation went just like this:*

| | |
|---|---|
| *Linda:* | *"Hi! My name is Linda Young. I live right over there on Bradley." She turned and pointed towards Chloe Way.* |
| *Me:* | *"Hello".* |
| *Linda:* | *"Do you know about this? They're trying to take our neighborhood away!" She gave me a copy of something from the city about a meeting.* |
| *Me:* | *"No, I don't know anything about it".* |
| *Linda:* | *"Well, we have to do something about this". She gave me the five cent briefing on what it was about and asked me, "Do you understand?"* |
| *Me:* | *"Yes maam"* |
| *Linda:* | *"I'm going to have a meeting at my house Friday night, and you need to come!"* |
| *Me:* | *"Yes maam."* |
| *Linda:* | *"Okey. I'm going to contact as many neighbors as I can to come. You be sure and be there, okay?"* |
| *Me:* | *"Yes maam".* |

*I didn't know who she was. I had been away from home some 6 years, with three unaccompanied Air Force assignments, leaving the family at home for stability, and had not gotten to know a lot of the neighbors. But I liked her a lot... right away. She had "moxie". She saw a problem and took control to do the right thing. I was certain I could take her at face value and I had a feeling that I could learn a lot from her. That's how it all started. It truly was "all Linda's fault".*

*Linda Young's garage had been converted into one large room that was perfect for meetings. There was a good turn out from neighbors both in the immediate area and from others several blocks away. Linda explained that Land Title Of Nevada was*

*making an application for a Zoning Request to build 272 apartments on the parcel that we now know as the Rancho/Gowan Business Park, along with some commercal business and 13 small lot homes along Bradley as a "buffer". 20% of the apartments would be designated for "low-income". Everyone agreed that this was totally unacceptable. Linda had made copies of a letter of opposition for neighbors to send to Mayor Jan Jones, the Planning Commission, and the four members of the City Council. Linda had coordinated to have the next evening meeting December 14th the at Parson Elementary School.*

*At this meeting strategies were discussed and laid out for the pending January 12th Planning Commission meeting. Linda suggested we needed a community identity. Using the Northwest Citizens Association, and the Sheep Mountain Homeowners Association names as models, she came up with the Northwest Area Residents Association (NARA) and using the slogan, "Sticks In A Bundle Are Unbreakable". It sounded like a good idea. At a follow-up January 4th meeting we were told that someone from city hall said our best bet would be to make concessions and live with it. This just reinforced neighborhood resolve! The rezoning was wrong! That's what zoning categories and ordinances were all about. If small lots and apartments could go here, they could go anywhere and zoning would have no meaning. Councilman Scott Higginson had been approached for his input and support, but he was leaving (taking a position with Del Web) and advised us to direct our needs to our new councilman Matt Callister. So, we were really starting from scratch with a new organization, a new agenda item, a new councilman, and a process that few of us had any experience with.*

*With a large community turnout at the January 12, 1995 first Planning Commission meeting, the developer was directed to reassess their proposal and the agenda item was carried over to February 9th. The same thing happened February 9th, and the developer was given "one last chance" for the 23rd. At the third Planning Commission meeting Land Title reduced the apartment number to 248 but Planning continued to deny the rezoning request as being incompatible with only Bradley Road as a buffer from an established R-E neighborhood. Planning did the right thing!*

*If it was all Linda Young's fault that NARA got started, it's probably safe to say that it's all Councilman Matt Callister's fault for us being successful in getting off to the right start. Except for some of the neighbors who had real-estate experience, topics like ordinances, zoning, Title #18, city planning & council protocol, classic developer strategies, corporate attorney status, and the general agenda language being used was foreign and somewhat intimidating to most of us. Matt met with us at Linda's garage meetings, and made it simple. As an attorney he anticipated developer and legal strategies, and based on established zoning he assured us that our argument was valid and that compromise was totally inappropriate. He believed in us and our cause. Our agenda was his agenda. And it was terrific timing.*

*March 14th, the evening before the City Council meeting, Councilman Callister was at the Parson School NARA meeting to discuss and fine tune tomorrow's effort. At the March 15th City Council meeting, the Planning Commission's decision was echoed and reinforced by the dais and the Terra West/Land Title of Nevada agenda item was defeated. Their high density housing/commercial proposal was incompatible next to an established RNP neighborhood without a functional buffer to meet the purpose of Title 18 residential zoning criteria. It would have been a precedent decision circumventing city code and ordinance to the benefit of corporate over community.*

*The importance of this first NARA agenda item was in the "wake up call", that in fact we were on the radar for pending local and corporate developers, and we were going to have to be vigilant. And the importance of this outcome cannot be over stated. It gave NARA the perception and assurance that if we were well organized, played by the rules, had a valid argument supported by city ordinance, and had a committed city councilman for direction and support, that we could sustain our rural culture, values, identity and lifestyle as a RNP community, and keep new developments compatible with our neighborhood through supportive zoning criteria. But we all knew that there was still much to learn.*

*At the March 14th meeting, "Formal Development of Northwest Area Residents Association (NARA)" began. An executive board with officers, constitution and by-laws, planning a NARA block party, NARA membership and cost, e-mail, process for*

*regular mailing, obtaining a NARA mail box, filing for non-profit status, potential committees, and becoming involved with the Northwest Master Plan, all seemed to come up at once! Speeding on Gowan Road and Alexander Road even at this early date was an issue of concern.*

*At the April 27, 1995 meeting, NARA organization was established:*

*John Stanton lived right on Gowan and volunteered to be President*

*Mike Hamilton lived over on Hickam and volunteered to be Vice-President with his real-estate experience.*

*Carol Moore lived on Bradley and volunteered to be Recording Secretary*

*Sharon Johnson volunteered to be Treasurer, although we had no money.*

*Linda Young volunteered to be Parliamentarian, and would continue with her behind the scenes efforts to research information and network and coordinate resources.*

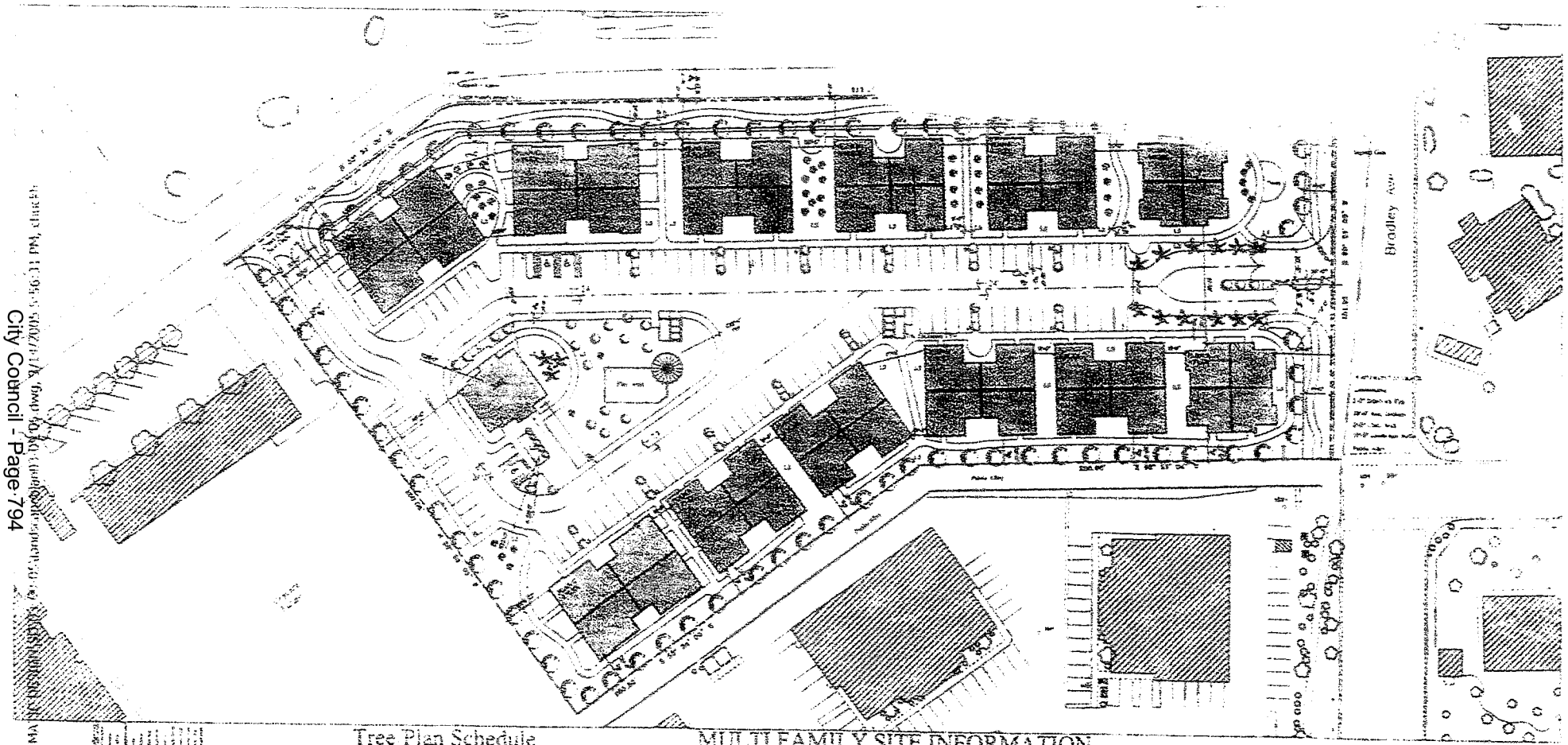
*Lex Anderson volunteered to be Corresponding Secretary because Linda Young told him to do it, and Lex does everything Linda tells him to do!*

*Councilman Matt Callaster was at this meeting, and offered his words of wisdom. Linda Young was recognized for her work in our organizing us as a community voice. By June we were organized for our first NARA community block party, on Chloe Way, Linda Young had designed NARA "T" shirts for sale, it was decided that $10 a year per residence would be a reasonable volunteer membership fee to pay for printing and administrative costs. John Stanton had personally put up the $35 for a NARA mail box.*

## *And...that's how it all began!*

*<u>Note</u>: The "official" NARA birthrate of March 30, 1995 was determined by a NARA committee using association archive records, and in consideration of what transpired at the March 30, 1995 meeting.*

# April 28, 2005 - Twelve 4Plex WestCare Cottages
# 48 Residential Housing Units - On 5.21 Acres






Vicinity Map

Tree Plan Schedule

MULTI FAMILY SITE INFORMATION

SETBACKS

PARKING REQUIREMENTS

Westcare Cottages

Clark County, Nevada

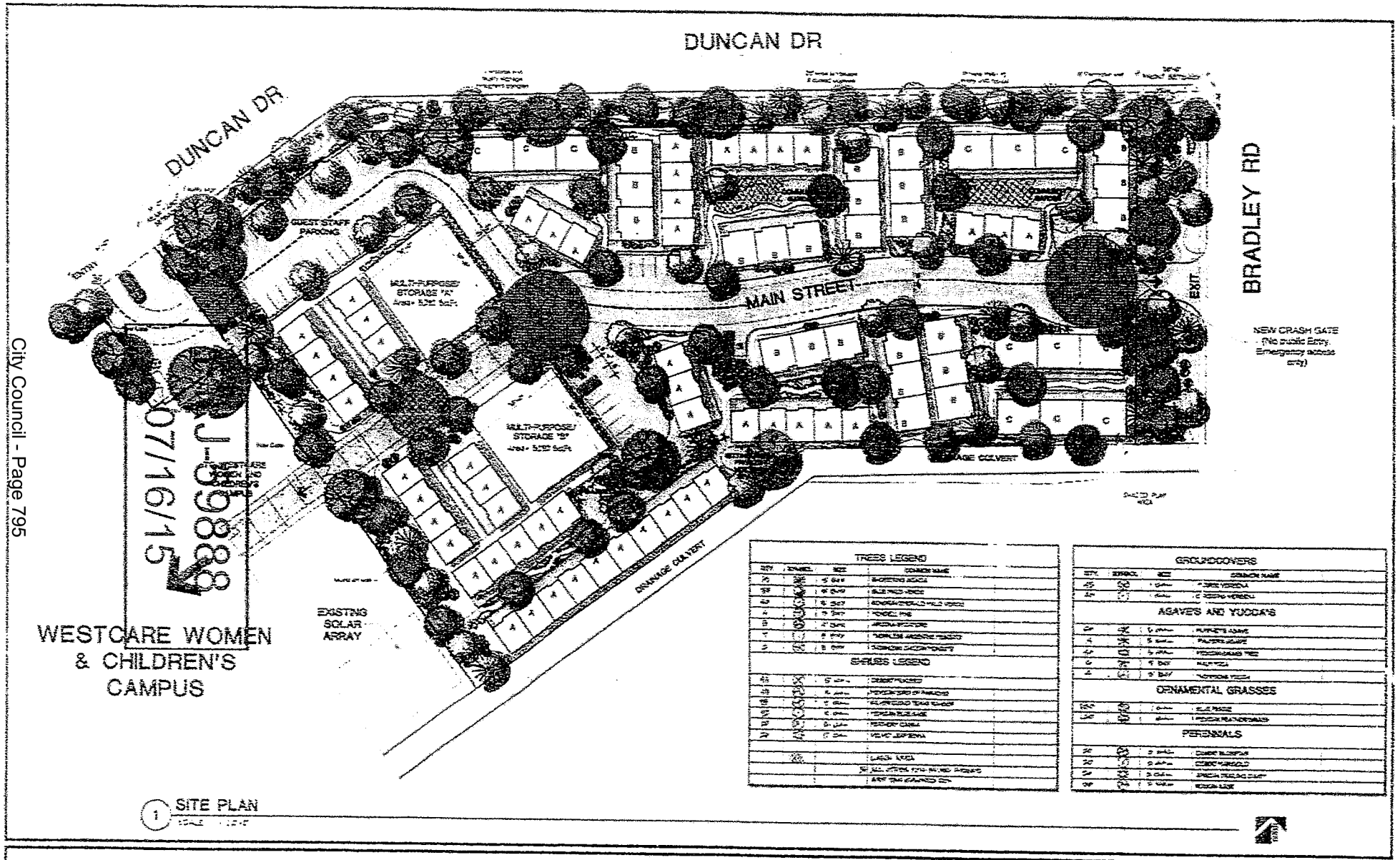
Hand Contruction Co.

Las Vegas, Nevada, (702)-739 3345

Conceptual Landscape Plan

Perlman

# WestCare - 87-Bed Convalesce[illegible]are Facility/Nursing Home on Approximately 5.00 Acres (4.63 Acres) - September 16, 2015




WESTCARE WOMEN & CHILDREN'S VILLAGE
LANDSCAPE PLAN
Las Vegas, NV 89130

SUP-50038 and SDR-50039 - REVISED

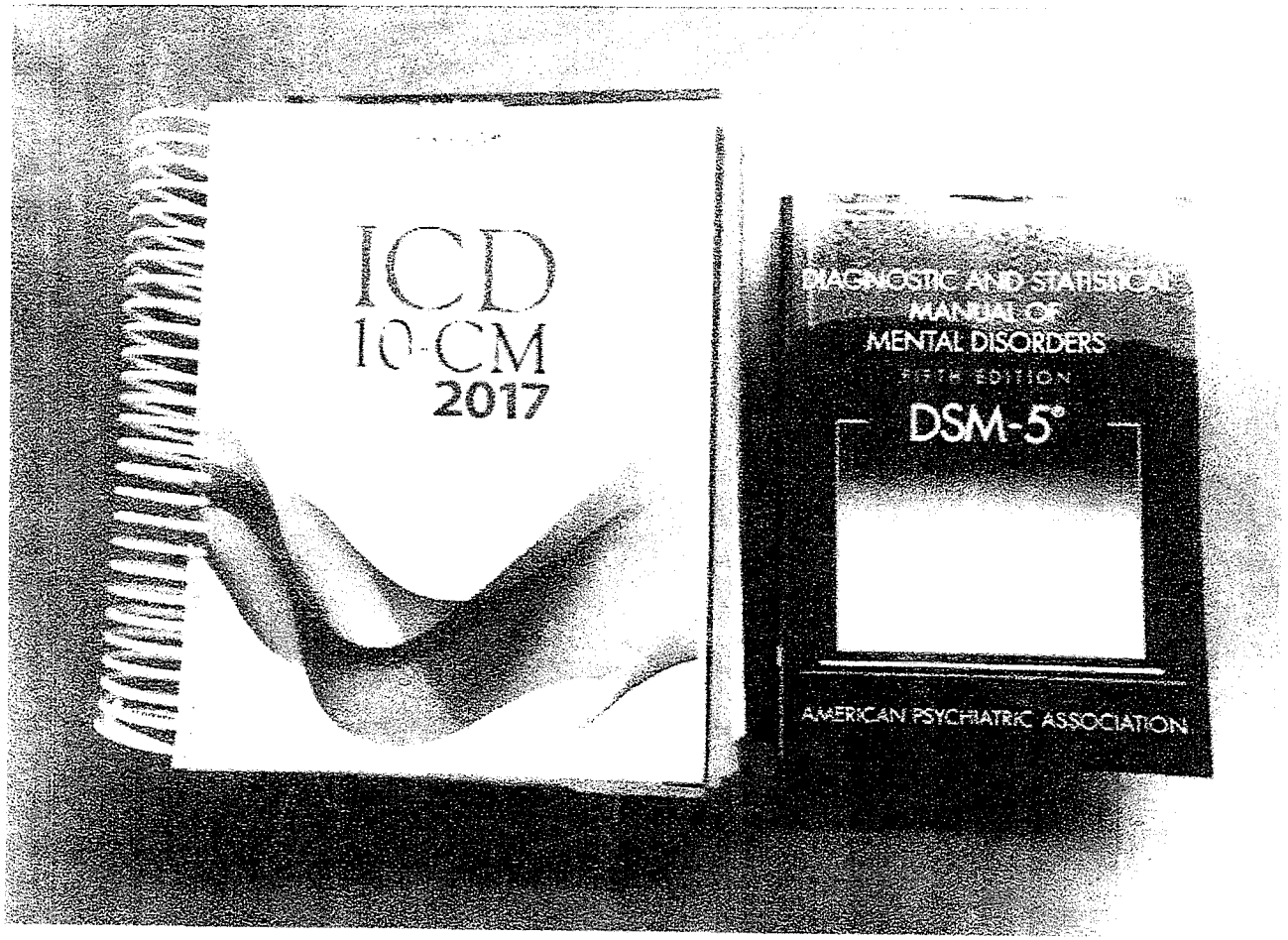
**Physical Medicine**

**International Classification of Diseases (ICD-10)**

**&**

**Behavioral Medicine**

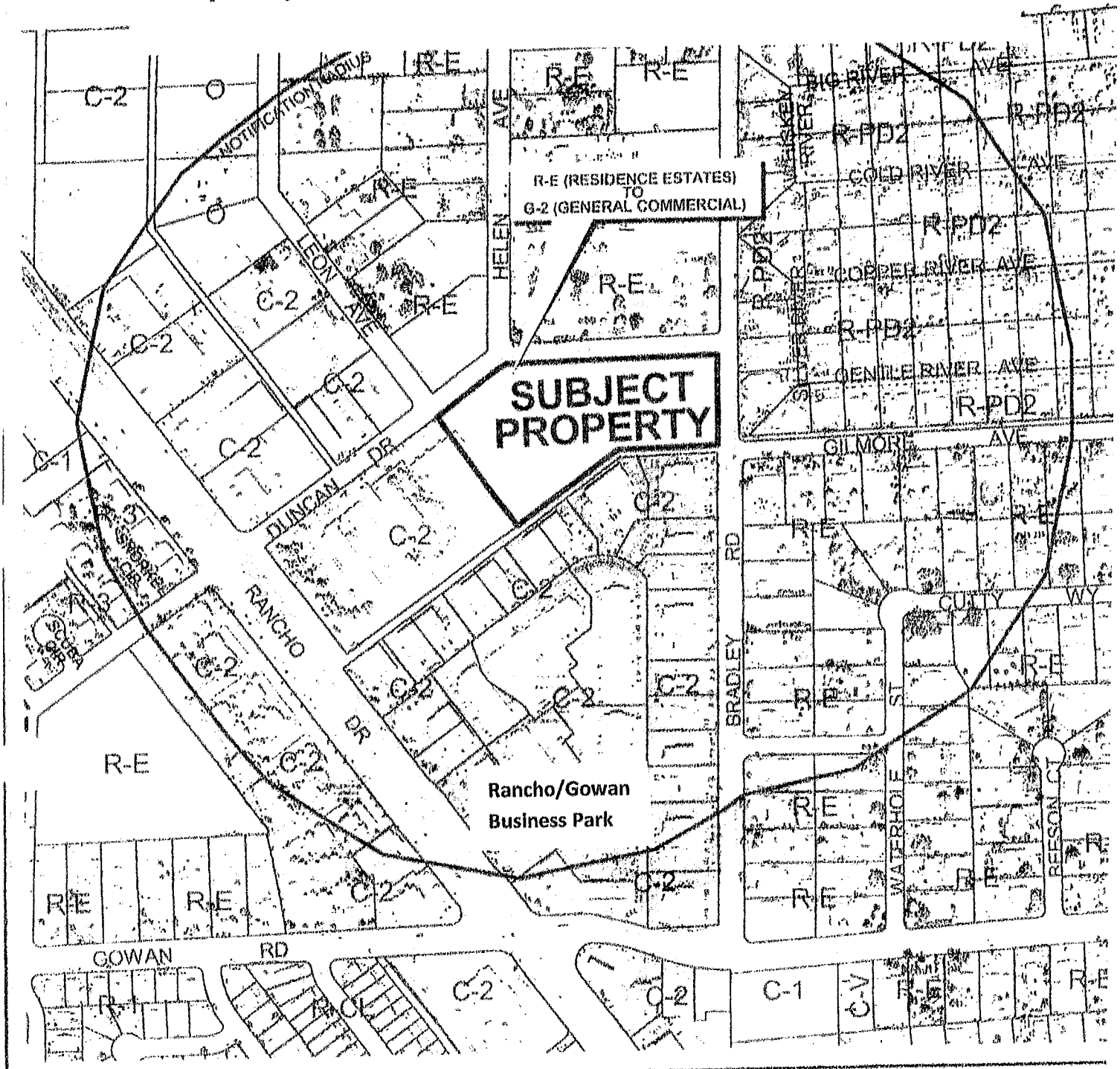
**Diagnostic and Statistical Manual of Mental Disorders (DSM-5)**



| *Related Relevant City Actions by P&D, Fire, Bldg., etc.* | |
|---|---|
| 05/12/05 | The Planning Commission voted to Withdraw Without Prejudice a request for a Rezoning (ZON-6379) from R-E (Residence Estates) to R-PD9 (Residential Planned Development -- 9 Units per Acre) on 5.21 acres at the southwest corner of Duncan Drive and Bradley Road. Staff had recommended denial. |
| | The Planning Commission voted to Withdraw Without Prejudice a request for a Site Development Plan Review (SDR-6381) for 12 proposed four-plex multi-family buildings on 5.21 acres at the southwest corner of Duncan Drive and Bradley Road. Staff had recommended denial. |
| 05/26/05 | The Planning Commission voted to Withdraw Without Prejudice a request for a General Plan Amendment (GPA-6270) from DR (Desert Rural Density Residential) to MLA (Medium Low Attached Density Residential) on 5.21 acres at the southwest corner of Duncan Drive and Bradley Road. Staff had recommended denial. |
| 06/21/06 | The City Council approved a General Plan Amendment (GPA-12367) from DR (Desert Rural Density Residential) to O (Office) on 5.21 acres at the southwest corner of Duncan Drive and Bradley Road. The applicant had requested an amendment to GC (General Commercial). The Planning Commission recommended approval. Staff recommended denial. |
| | The City Council approved a Rezoning (ZON-12370) from R-E (Residence Estates) to O (Office) on 5.21 acres at the southwest corner of Duncan Drive and Bradley Road. The applicant had requested a Rezoning to C-2 (General Commercial). The Planning Commission recommended approval. Staff recommended denial. The Resolution of Intent expired 06/21/08. |
| | The City Council approved a Variance (VAR-12921) to allow an eight-foot corner side yard setback where 15 feet is the minimum on 5.21 acres at the southwest corner of Duncan Drive and Bradley Road. The Planning Commission recommended approval. Staff recommended denial. The approval expired 06/21/08. |
| | The City Council approved a Site Development Plan Review (SDR-12920) for a proposed 57,535 square-foot commercial/office development and a waiver of perimeter landscape buffer requirements on 5.21 acres at the southwest corner of Duncan Drive and Bradley Road. The Planning Commission recommended approval. Staff recommended denial. The approval expired 06/21/08. |
| 10/10/06 | A Boundary Line Adjustment (BLA-16051) between APN 138-12-110-048 (5649 Duncan Drive) and APN 138-12-210-034 (5659 Duncan Drive) was recorded, with a transfer area of 23,790 square feet. This reduced the size of the subject property from 5.21 acres to 4.69 acres. |
| 04/25/14 | A Code Enforcement Case (140483) was opened to investigate a complaint about dumped tree cuttings on APN 138-12-110-056. The case was resolved 05/11/14 by Code Enforcement. |

4.69

## Approved June 21, 2006 for Commercial with an Office (O) Designation (Comparable to the Rancho/Gowan Business Park)




0 500 1000 Feet

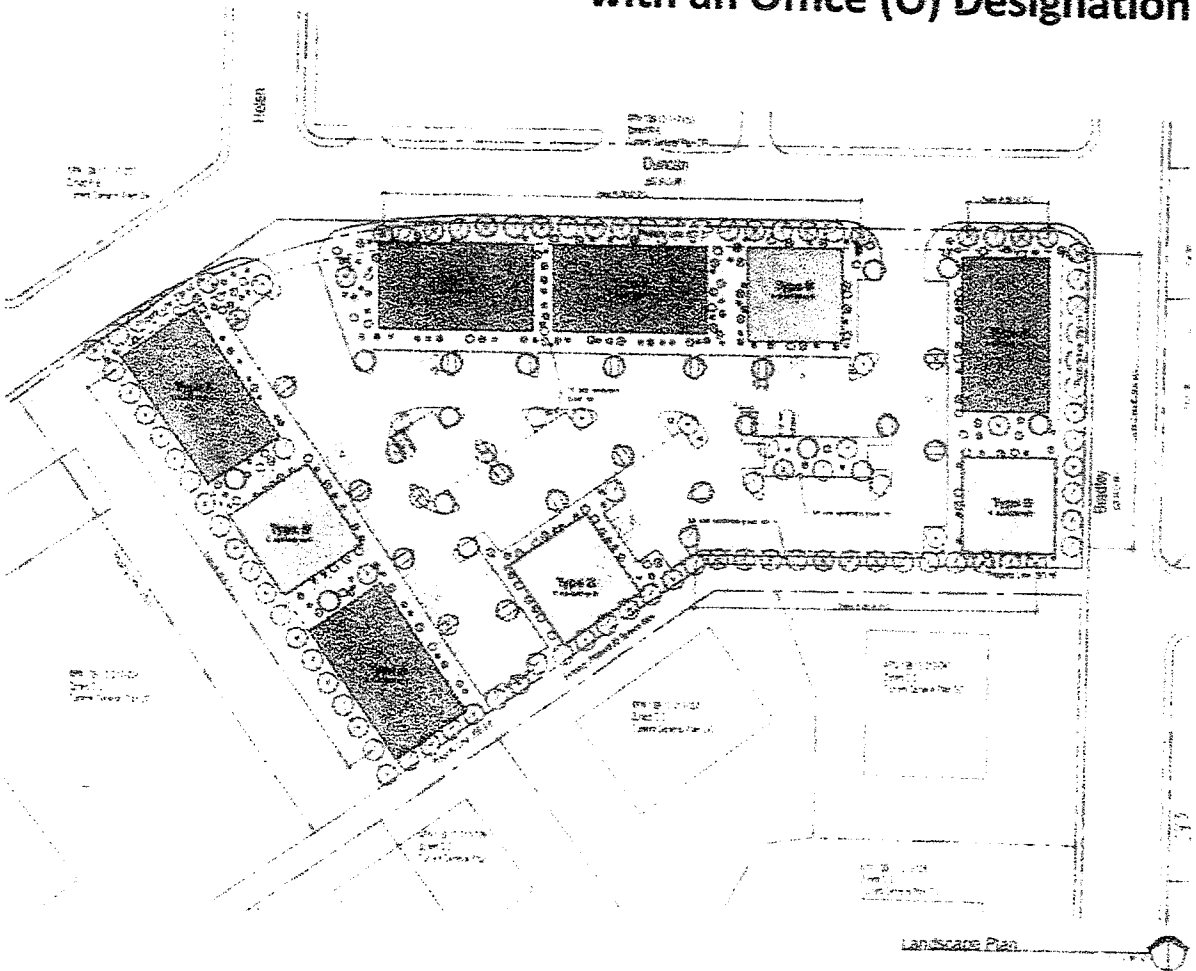
**CASE:** ZON-12370

**ADIUS:** 1000 FT

**NING OF SUBJECT PROPERTY:** R-E (RESIDENCE ESTATES)

**PROPOSED ZONING OF SUBJECT PROPERTY:** C-2 (GENERAL COMMERCIAL)

**Approved June 21, 2006 for Commercial with an Office (O) Designation**




**SDR-12920**
**REVISED**
**05/25/06 PC**

RECEIVED

Duncan & Bradley
Site Development Review
SW Corner of Duncan & Bradley
Las Vegas, NV 89130

APTUS Architecture

ISSUED

LANDSCAPE PLAN

L100

# A Request For Consideration

# For A Professional Definition And Revision

of

# Title 19.18.020

# "Convalescent Care Facility/Nursing Home"

submitted to

## City of Las Vegas Planning Department:

Tom Perrigo, Executive Director of Community Development & Chief Sustainability Officer.

Robert Summerfield, Planning Director

Steve Swanton, AICP, Senior Planner

Peter Lowenstein, AICP, Planning Section Manager

## City Council & Planning Commission Members:

| | City Council | Planning Commission |
|---|---|---|
| Mayor | Carolyn Goodman | Sam Cherry |
| Ward 1 | Lois Tarkanian | Vicki Quinn |
| Ward 2 | Steve Seroka | Christina Roush |
| Ward 3 | Bob Coffin | Trinity Haven Schlottman |
| Ward 4 | Stavros Anthony | Donna Toussaint |
| Ward 5 | Cedric Crear | Brenda J. Williams |
| Ward 6 | Michelle Fiore | Louis De Salvio |

Submitted by NABA (Northwest Area Residents Association) Ward 45
A Rural Preservation Overlay District Community

May 14, 2018

City Of Las Vegas

# NARA

NORTHWEST AREA RESIDENTS ASSOCIATION

A Rural Preservation Overlay District

Established March 30, 1995

**Annual NARA Community Meeting - Monday - March 16, 2020**
**Parson Elementary School - 4100 Thom Blvd. - 7 PM**

*Rick Berni - NARA President*

**March 30, 2020 NARA will be 25 years old!** The old timers who have been here since the beginning originally thought that with the success of our first agenda item this would be basically an ad hoc neighborhood committee, protected by Title #18, and with a City of Las Vegas commitment to have our back for all the right reasons. The HOA's were a welcome addition within the NARA geography as legitimate transitional buffers to high density housing, and in turn the RNP "horse community" only added to the HOA property values. Both communities shared similar economic and cultural values from the beginning as "RNP Communities with a Common Interest", and continue to this day. Many of the HOA residents have held NARA Executive Board positions, been on committees, and together fought the good fight at the city Planning Commission and City Council meetings. And it was largely through our HOA resident commitment that Patriot Park, and the San Miguel Community Garden came about.

Times have changed. Especially since the recession the northwest area has been discovered and "progress" is upon us. We still have parcels to be developed, and there will be special interest entities with "access" that will see NARA only a means to an end and do not see a community. In 2005, Rural Preservation communities such as ours became an Overlay District, with "special" considerations to maintain RNP's as one of the many diverse resident lifestyle choices available within the City of Las Vegas, and protected by Title #19 ordinance. In 2018 the City of Las Vegas funded a $100,000.00 UNLV & NARA study for a "Rural Preservation Community Development Plan (neighborhood plan) for the Northwest Area Residents Association (NARA)" through a UNLV Department of Architecture interlocal agreement. With this additional professional and academic input as a touchstone for direction to preserve and sustain RNP 2005 Overlay District intent and purpose we look forward to another 25 years with ongoing community support and future political commitment.

NARA meetings are held at Claude & Stella Parson Elementary at 7 PM on the 3rd Monday of each month and this is the place to go to connect and be informed. NARA membership and getting on the e-mail listing is also the way to go to know what is going on in our community, and for short notice notification. Nextdoor NARA is helpful but with limited content space. If you can not make it to the meetings, comprehensive monthly minutes are e-mailed to all on the NARA membership listing. A 5 year membership comes out to only 5.4 cents a day, with the funds to cover increasingly expensive administrative costs. If you are not a member, please fill out and send in the attached form.



***NARA is your community to be a part of... and hold on to!***

# NARA ONGOING & PENDING ISSUES & AGENDAS

**Gowan Road:** Continue working with Traffic Engineering for long term street modifications to mitigate speeding, and for safety at the Gowan & Thom intersection.

**Horse & Rider Signs:** Goal to get some 15 horse & rider signs strategically paced throughout NARAs historic/identified road shoulder horse trail designations.

**Passer Program:** Finalize the Passer Program to the City Council, documenting the need to resubmit and rewrite Title #19.18.020 "Convalescent Care Facility/Nursing Home", and correctly identify nursing home admission patients as "inpatients" within legal and professional standards criteria.

**WestCare**: With Title #19.18.020 correctly identifying nursing home patients as "inpatients" petition the City of Las Vegas to reassess WestCare's agenda to qualify transitional housing facilities as nursing homes and their transitional housing residents as inpatients for nursing home admission.

**Alexander Road:** Continue working with Traffic Engineering for a comprehensive complete streets Rancho to Decatur intervention program with an equestrian trail, gateway community identifiers, other RNP compatible amenities to mitigate speeding, and a traffic circle or 4 way stop at Alexander & Bradley to resolve this historically problematic intersection traffic situation.

**Vagrancy/Homeless Status**: Continue working with both the City of Las Vegas Code Enforcement and the NLV Code Enforcement Department for the NLV Airport Triangle to remove vagrant transients from impacting NARA residential areas, and to direct homeless encampment persons to social service resources for a constructive direction.

**Website:** Bring the NARA website content up to professional standards for community identity, a comprehensive information/resources site, and a narrative for historical reference.

**Hickam Avenue:** Continue to support Hickam Avenue within the context of its Rural Preservation status as a neighborhood RNP street serving the NW area of the NARA community, and with an ongoing commitment to vacate Leon Avenue at Hickam.

**5.03 Interlocal Agreement /Open Schools-Open Doors Policy:** With the CCSD not responding to repeated NARA efforts for a revision of CCSD Regulation R-3613 to address the $1mil liability insurance requirement for residents to use their local school for civic meetings, NARA will follow up with the Clark County Commission to resolve the this issue as a historic basic taxpayer right, and with NARA as a two decade long example of a responsible community/public school partnership.

**Title 19.10.180**: Submit a rewrite of the original Title #19.10.180 "RP-O Rural Preservation Overlay District" to more accurately reflect the 2005 Overlay District ordinance intent and purpose, with specific characteristics profiling deference from Title #19 urban standards.

**Form Based Coding:** Provide specific input to Planning for Rural Preservation within the context of Form Based Coding as a transit or Overlay District to appropriately define Rural Preservation and support its original intent and purpose.

**BDR 40-555:** This NARA bill submitted to the last Carson City legislature by our District 7 Assembly Woman Dina Neal was denied, erroneously alleging that inpatient status for a nursing home admission was "discriminatory". (!) It will be resubmitted at the next legislature.

**My Neighborhood:** Continue to pursue Rural Preservation for inclusion in the Office Of Community Services Association Handbook for general resident information.

**Leon Flooding**: Resolve the D.R. Horton flooding issue on Leon, and document accountability.

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## NARA MEMBERSHIP & E-MAIL CONTACT INFORMATION

**YES! I *need* to be on the NARA E-Mail listing so I know what is going on!!!**

**NAME:** _____ **Home Phone: (____)** _____

**E-mail:** _____ **Cell Phone: (____)** _____

**Address:** _____ **Zip Code:** _____

**__$25 One Year Annual Membership: ( Comes out to 7 cents a day to be counted and be informed! ).**

**__$100 Five Year Membership Savings: ( Comes out to 5.4 cents a day to be counted and be informed! ).**

**You get one year FREE with a 5 year membership, AND you don't have to wonder if you are still on the e-mail listing with the long term membership.**

**MAIL TO: NARA, P.O. Box 570363, Las Vegas, Nevada 89157. Date:** _____

**Pay Pal:** _____

| | |
|---|---|
| Form Name: | City Council Live |
| Submission Time: | July 8, 2020 6:13 am |
| Browser: | Chrome 83.0.4103.116 / Windows |
| IP Address: | 68.224.56.202 |
| Unique ID: | 633171361 |
| Location: | 36.144298553467, -115.27940368652 |

| | |
|---|---|
| **First Name** | Norman |
| **Last Name** | Blunk |
| **City Resident** | Yes |
| **Zip Code** | 89143 |
| **Agenda Item Number** | 5 |
| **Choose One** | Concerned |
| **Council Comment** | Councilwoman Fiore has been a disruptive force on the city council and as a representative of the city of Las Vegas. When she is questioned, she either yells or merely leaves and refuses to be questioned. That is poor leadership and she should resign. |

| | |
|---|---|
| Form Name: | City Council Live |
| Submission Time: | July 7, 2020 7:27 pm |
| Browser: | Mobile Safari / iOS |
| IP Address: | 174.237.140.79 |
| Unique ID: | 633030661 |
| Location: | 35.084499359131, -106.65110015869 |

| | |
|---|---|
| **First Name** | Fawkes |
| **Last Name** | Kenny |
| **City Resident** | Yes |
| **Zip Code** | 89102 |
| **Agenda Item Number** | 32 |
| **Choose One** | Protest |
| **Council Comment** | Your city, and the world have been asking for a complete rebuild of the police and justice systems. In this climate, it is grossly irresponsible to select a former LVMPD Captain as the Mayor Pro Tem. This 255 character limit is suppression of our voices. |

| | |
|---|---|
| Form Name: | City Council Live |
| Submission Time: | July 7, 2020 7:48 pm |
| Browser: | Mobile Safari / iOS |
| IP Address: | 174.237.140.79 |
| Unique ID: | 633035352 |
| Location: | 35.084499359131, -106.65110015869 |

| | |
|---|---|
| **First Name** | Kenny |
| **Last Name** | Fawkes |
| **City Resident** | Yes |
| **Zip Code** | 89102 |
| **Agenda Item Number** | 1 |
| **Choose One** | Protest |
| **Council Comment** | The lack of agenda items addressing the militarized and overfunded LVMPD is embarrassing and irresponsible on the part of each and every city council member and their staff.<br>Your bias is clear. Blue lives do not exist. Carolyn Goodman is complicit. |

| | |
|---|---|
| Form Name: | City Council Live |
| Submission Time: | July 7, 2020 7:59 pm |
| Browser: | Mobile Safari / iOS |
| IP Address: | 174.237.140.79 |
| Unique ID: | 633037663 |
| Location: | 35.084499359131, -106.65110015869 |

| | |
|---|---|
| **First Name** | Kenny |
| **Last Name** | Fawkes |
| **City Resident** | Yes |
| **Zip Code** | 89102 |
| **Agenda Item Number** | 5 |
| **Choose One** | Protest |
| **Council Comment** | Justice for TASHII BROWN<br><br>Justice for BYRON WILLIAMS<br><br>Justice for TASHII BROWN<br><br>Justice for BYRON WILLIAMS<br><br>Justice for TASHII BROWN<br><br>Justice for BYRON WILLIAMS<br><br>Justice for TASHII BROWN<br><br>Justice for BYRON WILLIAMS |

| | |
|---|---|
| Form Name: | City Council Live |
| Submission Time: | July 7, 2020 7:52 pm |
| Browser: | Mobile Safari / iOS |
| IP Address: | 174.237.140.79 |
| Unique ID: | 633036304 |
| Location: | 35.084499359131, -106.65110015869 |

| | |
|---|---|
| **First Name** | Kenny |
| **Last Name** | Fawkes |
| **City Resident** | Yes |
| **Zip Code** | 89102 |
| **Agenda Item Number** | 2 |
| **Choose One** | Protest |
| **Council Comment** | To waste time speaking on irrelevant issues such as this is a gross and eye opening drop of the ball. The Las Vegas city council is remarkably incompetent and they show a VILE and IRREDEEMABLE disregard for the concerns of their citizens.<br>Expel Michelle |

| | |
|---|---|
| Form Name: | City Council Live |
| Submission Time: | July 7, 2020 7:54 pm |
| Browser: | Mobile Safari / iOS |
| IP Address: | 174.237.140.79 |
| Unique ID: | 633036757 |
| Location: | 35.084499359131, -106.65110015869 |

| | |
|---|---|
| **First Name** | Kenny |
| **Last Name** | Fawkes |
| **City Resident** | Yes |
| **Zip Code** | 89102 |
| **Agenda Item Number** | 3 |
| **Choose One** | Protest |
| **Council Comment** | A third item has come to the podium without a single agenda reference to the needs of black and brown Las Vegas citizens.<br><br>Michelle fiore must step down as councilwoman.<br><br>This is stolen land. |

| | |
|---|---|
| Form Name: | City Council Live |
| Submission Time: | July 7, 2020 7:57 pm |
| Browser: | Mobile Safari / IOS |
| IP Address: | 174.237.140.79 |
| Unique ID: | 633037318 |
| Location: | 35.084499359131, -106.65110015869 |

| | |
|---|---|
| **First Name** | Kenny |
| **Last Name** | Fawkes |
| **City Resident** | Yes |
| **Zip Code** | 89102 |
| **Agenda Item Number** | 4 |
| **Choose One** | Protest |
| **Council Comment** | The needs and requests of the black lives matter protests are being ignored in a disgusting and egregious manner.<br><br>LVMPD has MASSIVELY escalated each and every protest. LVMPD are the aggressors.<br><br>They have maimed and murdered citizens of Vegas. |

| | |
|---|---|
| Form Name: | City Council Live |
| Submission Time: | July 7, 2020 8:02 pm |
| Browser: | Mobile Safari / iOS |
| IP Address: | 174.237.140.79 |
| Unique ID: | 633038456 |
| Location: | 35.084499359131, -106.65110015869 |

| | |
|---|---|
| **First Name** | Kenny |
| **Last Name** | Fawkes |
| **City Resident** | Yes |
| **Zip Code** | 89102 |
| **Agenda Item Number** | 6 |
| **Choose One** | Protest |
| **Council Comment** | Mayor Carolyn Goodman has behaved immorally and without empathy towards her citizens. She cares more about her families financial gain than the citizens she is supposed to represent. Her inactions have resulted in a massive spike of Covid cases in Vegas. |

| | |
|---|---|
| Form Name: | City Council Live |
| Submission Time: | July 8, 2020 6:12 am |
| Browser: | Chrome 83.0.4103.116 / Windows |
| IP Address: | 68.224.56.202 |
| Unique ID: | 633171180 |
| Location: | 36.144298553467, -115.27940368652 |

| | |
|---|---|
| **First Name** | Norman |
| **Last Name** | Blunk |
| **City Resident** | Yes |
| **Zip Code** | 89143 |
| **Agenda Item Number** | 4 |
| **Choose One** | Concerned |
| **Council Comment** | Councilwoman Fiore has been a disruptive force on the city council and as a representative of the city of Las Vegas. When she is questioned, she either yells or merely leaves and refuses to be questioned. That is poor leadership and she should resign. |

| | |
|---|---|
| Form Name: | City Council Live |
| Submission Time: | July 8, 2020 10:00 am |
| Browser: | Mobile Safari / iOS |
| IP Address: | 70.175.57.159 |
| Unique ID: | 633274922 |
| Location: | 36.287700653076, -115.28679656982 |

| | |
|---|---|
| **First Name** | Katherine |
| **Last Name** | A |
| **City Resident** | Yes |
| **Zip Code** | 89138 |
| **Agenda Item Number** | 32 |
| **Choose One** | Protest |
| **Council Comment** | Why was one racist replaced with another racist? As evidence comes forward I'm sure Stavros will step down as well. This council is an embarrassment. |

# *AGENDA SUMMARY PAGE*
**City Council**
**Meeting of: July 8, 2020**

Agenda Item No.:
**46**

**DEPARTMENT: City Clerk**
**DIRECTOR: LuAnn Holmes**

**SUBJECT:**
Council Member Recognition: Comments made by individual City Council Members during this portion of the agenda will not be acted upon by the City Council unless that subject is on the agenda and scheduled for action.

**BACKUP DOCUMENTATION:**
1. Submitted at Meeting - Flyers for Ward 2 Announcements, Summerlin Parkway Pedestrian Bridge Dedication, Blood Donations at the American Red Cross, Animal Foundation Pet Adoptions, Ward 2 Office Contact Information and Social Media Contacts by Councilwoman Seaman; Flyers for Ward 5 Final Announcements, Discovery Children's Museum, Bolden Lions Futbol Club Sign Ups, Ward 5 Newsletter and Social Media Portals by Councilman Crear; Flyers for Nevada Child Seekers Located/Missing Endangered/Missing Juvenile Bulletins, Corridor of Hope Homeless Success Stories and Happy Birthday to Chief William McDonald by Councilwoman Fiore; Flyers for Bill Briare Park Cleanup, Return to Your Doctor Reminder and Ward 1 Contact Information by Councilman Knudsen; Flyers for Ward 3 Announcements, Help Name the Park Located at Harris and Marion!, Baker Park Pool - Free Swim, Maryland Parkway Corridor Transit-Oriented Development (TOD) Plan - Online Community Survey, Unidos Mainteniendo Distancia - Esta En Tus Manos and Ward 3 Social Media Contacts by Councilwoman Diaz


City of Las Vegas
Councilwoman
Victoria Seaman
Ward 2
July 8th, 2020
SUMMERLIN

WARD 2

# Summerlin Parkway Pedestrian Bridge Dedication – July 24th, 2020



WARD 2

# Blood Donations at the American Red Cross

## To donate, please go to: https://www.redcrossblood.org/







- We will be hosting a blood drive April 10th, 2020 at the International Church of Las Vegas. Please visit www.redcrossblood.org to sign up as a donor.

# Animal Foundation Pet Adoptions

WARD 2



## Klaus

**ID #** A1134991

**Arrived: 07/01/2020**

**Spayed Female**

**Age: Approx 10 Yr**

**Weight: 9.4 lbs**

# Animal Foundation Pet Adoptions

WARD 2



## Sally

**ID #** A1135078

**Arrived: 07/02/2020**

**Female Spayed**

**Age: 11 Years**

**Weight: 3.94 lbs**

# Animal Foundation Pet Adoptions

WARD 2



## Tuck

**ID #** A1133739

**Arrived: 07/03/2020**

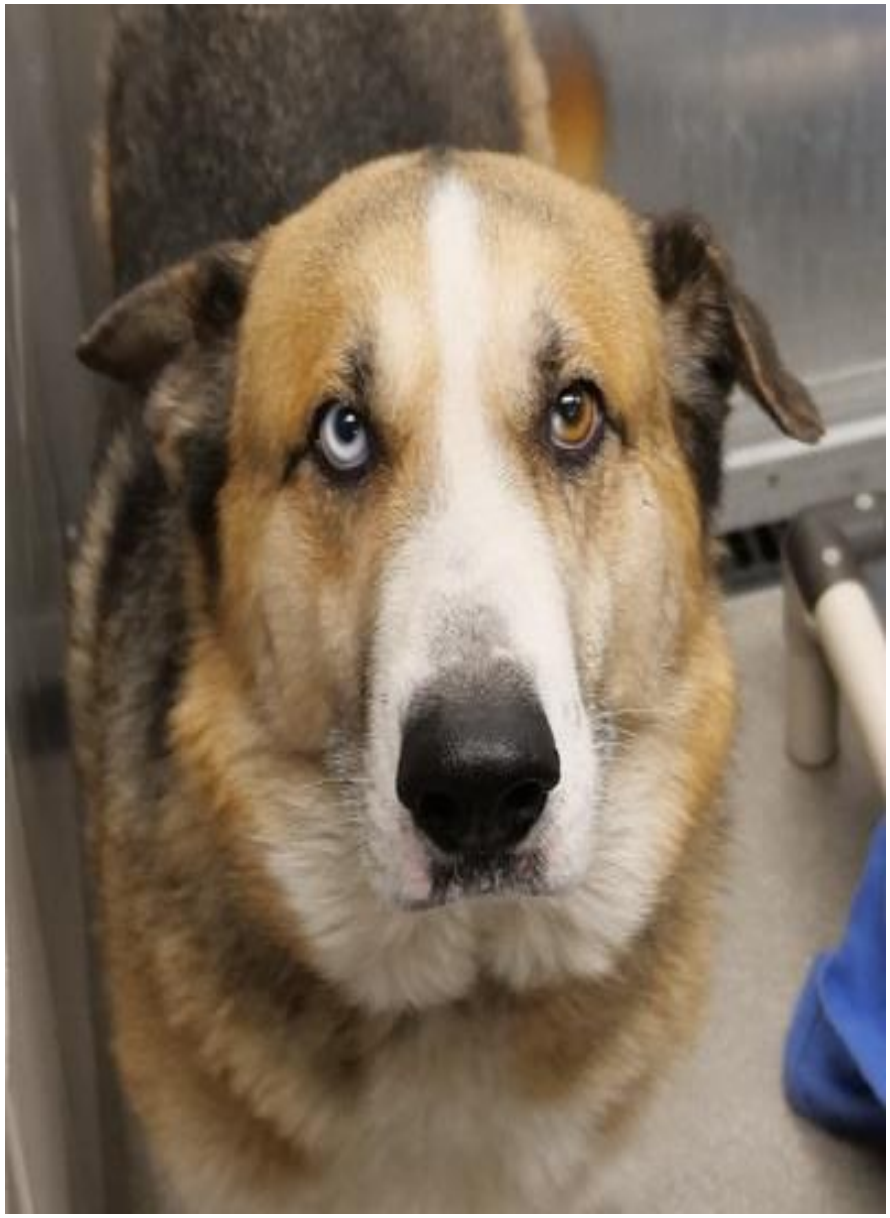
**Spayed Male**

**Age: 3 Years**

**Weight: 73.6 lbs**

# Animal Foundation Pet Adoptions

WARD 2



## Maximus

ID # A1135081

Arrived: 07/02/2020

Male

Age 5 Years

Weight: 98.6 lbs

# Animal Foundation Pet Adoptions

WARD 2

## Contact the Adoption Department

Phone: (702) 955-5901

Email: adoptions@animalfoundation.com

WARD 2

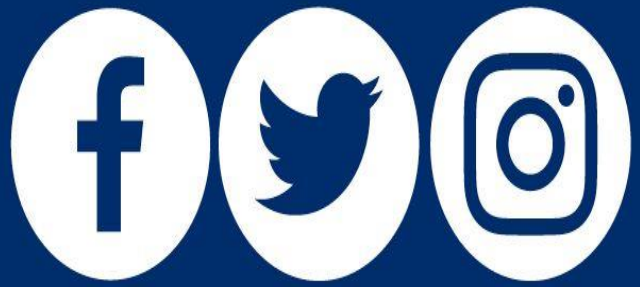
# Office Contact Information

**Main Line: (702) 229-2144**

**Email: ward2@lasvegasnevada.gov**

# PLEASE FOLLOW UP ON SOCIAL MEDIA AT:

# @victoriadseaman



# VictoriaDSeaman

# Ward 5 Final Announcements







# COUNCILMAN CEDRIC CREAR, WARD 5






Discovery Children's Museum

# Ward 5: Announcements

# Bolden Lions Futbol Club



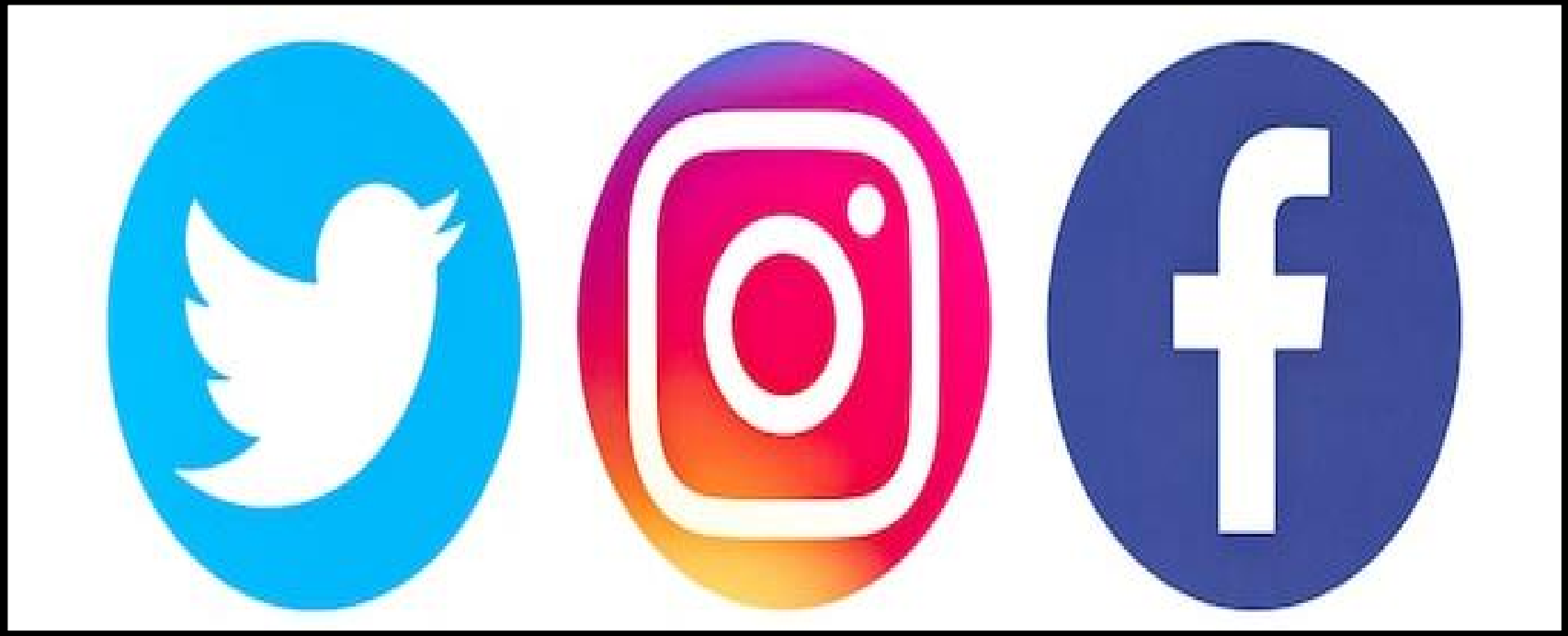

## Ward 5: Announcements




Ward 5 Newsletter: tjackson@lasvegasnevada.gov

# Ward 5: Announcements



# Social Media Portals

# LOCATED

Sent: 2020-06-19 @ 12:33 Case: 200600060789 Author: JH/NCS

NIC #

Last Name HAWKINS

First Name AYANNA

Nickname

Alias

Age 17

Gender FEMALE

Height 5'7

Weight 130

Eyes BROWN

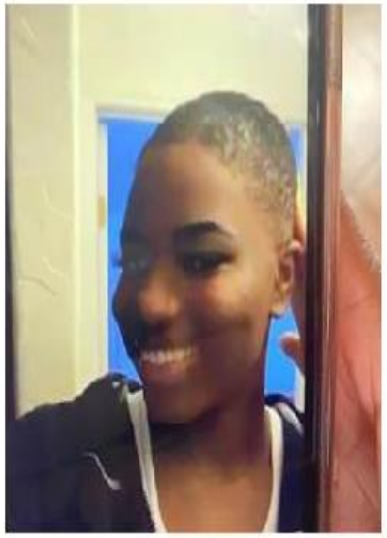
Hair DYED BLONDE

Complexion

Race AFRICAN AMERICAN

BirthDate

Last Contact 06/15/2020



Marks

AYANNA WAS LAST SEEN IN THE AREA OF VALLEY VIEW & CACTUS (LAS VEGAS, NV)

SHE WAS LAST SEEN WEARING BLACK/WHITE JACKET, WHITE TOP, BLACK PANTS WITH GRAY/ORANGE SHOES

All hospitals are asked to check their registries for the missing person and notify the police immediately. It should be noted that HIPAA permits disclosure upon request by law enforcement and is authorized pursuant to 45 C.F.R. section 164.512

IF YOU HAVE ANY INFORMATION PLEASE CONTACT THE NUMBERS LISTED BELOW

Las Vegas Metro Police (702) 828-3111
Nevada Child Seekers (702) 458-7009

# MISSING ENDANGERED JUVENILE

Sent: 2020-06-24 @ 12:28 Case: 200600094111 Author: JH/NCS

NIC #

Last Name VARELA

First Name MYRANDA

Nickname

Alias

Age 16

Gender FEMALE

Height 5'5

Weight 90

Eyes BROWN

Hair BLACK

Complexion

Race HISPANIC

BirthDate

Last Contact 06/23/2020

Marks CUTTING SCARS



MYRANDA WAS LAST SEEN IN THE AREA OF CHARLESTON & LAMB (LAS VEGAS, NV)

CHILD WAS WEARING A YELLOW SHIRT AND BLACK SHORTS

All hospitals are asked to check their registries for the missing person and notify the police immediately. It should be noted that HIPAA permits disclosure upon request by law enforcement and is authorized pursuant to 45 C.F.R. section 164.512.

IF YOU HAVE ANY INFORMATION PLEASE CONTACT THE NUMBERS LISTED BELOW

Las Vegas Metro Police (702) 828-3111
Nevada Child Seekers (702) 458-7009

# MISSING JUVENILE

Sent: 2020-06-23 @ 07:49 Case: 200300141761 Author: JH/NCS

NIC #

Last Name PENNAMON

First Name LADARRIUS

Nickname

Alias

Age 17

Gender MALE

Height 5'9

Weight 160

Eyes BROWN

Hair BLACK

Complexion

Race AFRICAN AMERICAN

BirthDate

Last Contact 03/30/2020

Marks



LADARRIUS WAS LAST SEEN IN THE AREA OF CRAIG & DURANGO (LAS VEGAS,NV)

CHILD WAS LAST SEEN WEARING A DARK SHIRT , DARK BLUE SHORTS WITH GREY HIGH TOP SHOES

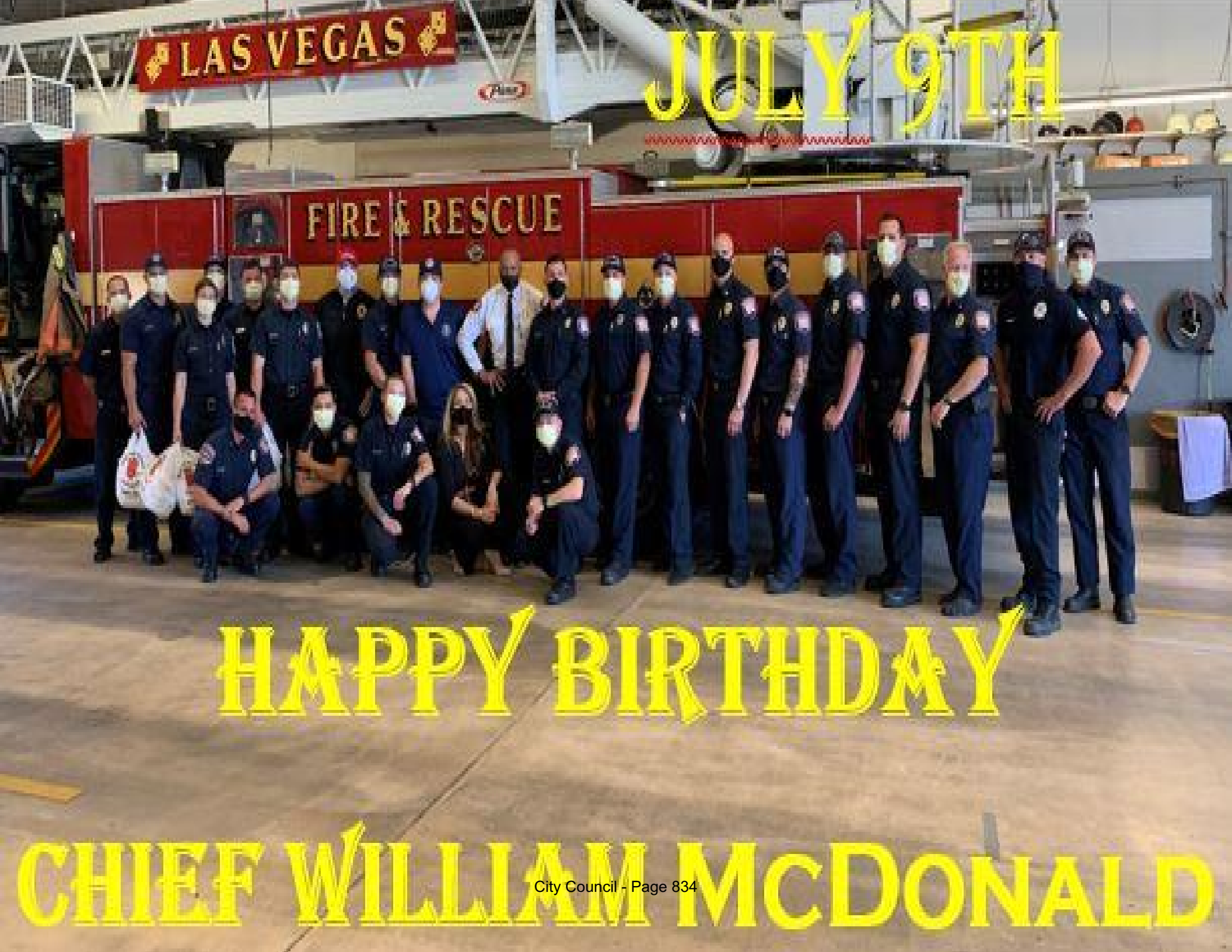
IF YOU HAVE ANY INFORMATION PLEASE CONTACT THE NUMBERS LISTED BELOW

Las Vegas Metro Police (702) 828-3111
Nevada Child Seekers (702) 458-7009

# Corridor of Hope







LAS VEGAS
FIRE & RESCUE
JULY 9TH
HAPPY BIRTHDAY
CHIEF WILLIAM McDONALD

Las Vegas City Councilman Brian Knudsen - Ward 1 Events

# JOIN US IN LAS VEGAS WARD 1 !

Help clean up Bill Briare Park with #TeamKnudsen and Get Outdoors Nevada on July 25, 2020 at 7:30am - 9:00am PST!



# Return To Your Doctor





# Ward 1

## Councilman Brian Knudsen

Stay in touch with us for updates, resources, and more!

bknudsen@lasvegasnevada.gov

Call: 702-493-1547

Twitter: @BrianforLV | Facebook: facebook.com/BrianforLV

# OLIVIA DÍAZ



COUNCILWOMAN - WARD 3






# HELP NAME the park located at Harris and Marion!

Please send any name suggestions to **https://cityoflasvegas.link/ward3parks**

or call **702.229.4623**

*Naming suggestions will be accepted through July 31, 2020.*

*Park amenities: Equestrian Area, Soccer Field, Playground & Restrooms.* ***The park is scheduled to be completed in the fall of 2020***



## OLIVIA DÍAZ

**COUNCILWOMAN - WARD 3**

Please call our office at 702-229-4623 with your suggestions.






# OLIVIA DÍAZ

## COUNCILWOMAN - WARD 3

Baker Pool – 1100 E. St Louis Avenue

702-229-PLAY

# MARYLAND PARKWAY CORRIDOR
## TRANSIT-ORIENTED DEVELOPMENT (TOD) PLAN

## ONLINE COMMUNITY SURVEY
## *ENCUESTA COMUNITARIA EN LÍNEA*

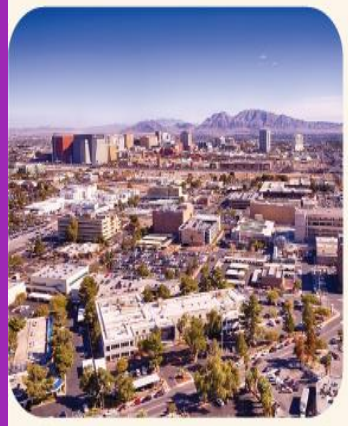






*Photo sources : LasVegasMedicalDistrict.com, LasVegasSun.com, ReviewJournal.com*



# OLIVIA DÍAZ
**COUNCILWOMAN - WARD 3**

Visit @OliviaDiazLV to take the survey

CITY OF LAS VEGAS NEVADA






# OLIVIA DÍAZ

## COUNCILWOMAN - WARD 3

CITY OF LAS VEGAS NEVADA

# OLIVIA DÍAZ



## COUNCILWOMAN - WARD 3

## CITY OF LAS VEGAS

ward3@lasvegasnevada.gov

@OliviaDiazLV

@oliviadiazlv

oliviadiazlv