

# **Revolving Loan Fund Plan**

## **City of Eau Claire**

**Dates Approved/Amended:**

**January 22, 2019  
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## **PART I:**

### **REVOLVING LOAN FUND STRATEGY**

#### **A. ECONOMIC ADJUSTMENT OVERVIEW**

This Revolving Loan Fund (RLF) will primarily strive to do five important things:

1. To create jobs within the City of Eau Claire.
2. To encourage small business start-up and development.
3. To create new tax base within the City of Eau Claire
4. To diversify and promote the economic base of the region.
5. To foster downtown business and creative economy growth.

Our RLF goals are similar to goals that are listed in the *2015 Eau Claire Comprehensive Plan*, which was adopted by the Eau Claire City Council on September 22, 2015, to guide the City's decisions about long-term growth and development through 2035. The *Comprehensive Plan* directs the City to work cooperatively with private industry, regional economic development partners, and state and federal agencies to promote investment in projects that will create quality employment opportunities for area residents and quality tax base that supports public facilities and services. While the creation of jobs is an important aspect of the *Comprehensive Plan* as it is in our RLF plan, emphasis is also placed on diversification of the economy, and private and corporate well-being as the foundation of family security, public fiscal health, and city renewal.

The *2015 Eau Claire Comprehensive Plan* lists three goals and objectives that this RLF plan will directly address:

1. Increase household income, job opportunities, and business growth throughout the local community.

The City of Eau Claire has experienced consistent population growth as the unemployment rate has declined to about 3%. While the City also maintains a lower than average cost of living, wages and median household income have not grown at a fast enough pace to support the growth of the local economy.

The RLF will target businesses whose jobs within the City of Eau Claire are at least \$15.00 per hour. Businesses are eligible if they are either creating or retaining jobs at the wage rate or increasing the wages of employees to at least that rate as a result of the project or loan.

2. Retain existing businesses and attract new ones with appropriate benefits, incentives, information, and marketing.

Utilizing the funds available in this program to assist new and prospective businesses in providing good wage jobs will meet this stated objective, while also actively improving the quality of jobs in the community. The City of Eau Claire is the primary source for economic development assistance for businesses. The ability of businesses to avail themselves of lower costs of borrowing through this program should make it easier for them to expand or locate in the City.

3. Attract entrepreneurs to Eau Claire who are most likely to succeed at establishing new industries and adding diverse employment opportunities to the City.

Eligible business types for this RLF are manufacturing, industrial, commercial, and creative economy businesses that can meet the wage requirements for their employment opportunities. This RLF plan opens eligibility beyond traditional manufacturing or commercial businesses in part to foster the continued economic revitalization of our central business district and encourage mixed-use development in the downtown area.

## **B. BUSINESS DEVELOPMENT STRATEGY**

1. Objective: The desired outcomes of the City of Eau Claire's Economic Development Plan are higher household incomes, lower unemployment, greater job security, and increased opportunity for all.

The objective of this RLF is to support stable and expanded job opportunities at a higher wage levels across the entire City.

2. Targeted Businesses: As described in the Economic Development Plan, the City's targeted industries are food processing, technology, health care, education, finance and insurance, business and professional services, back office, plastics and rubber, metal manufacturing, printing and mailing. Industries targeted for growth include medical devices, nano-technology, software development, food production, plastic manufacturing, and computer components. There is also a focus on attracting development of innovation- and knowledge-based technology clusters, as well as creative entrepreneurial activity.

This RLF will target existing businesses or those moving to the City in the above targeted industries, as well as new small businesses in the creative economy that can meet the wage requirements of the program. The priority is for businesses with a track record of success.

3. Business Needs: Past reviews of the City's economic development strategy have identified a need for working capital in small businesses. The lack of available working capital has been a barrier to growth. Through these past work groups, the City of Eau Claire has determined that the gap in our local market is
  - a. Availability of financing for small businesses
  - b. Availability of financing for start-up companies

- c. Availability of financing for downtown businesses.
- d. Working capital funds

The experience of this and other City of Eau Claire loan programs in this low interest-rate market has also shown a need for financing at a higher loan-to-value ratio than local financial institutions.

- 4. Other Programs & Activities: There are three public sector loan programs in addition to this RLF:
  - a. Revolving Loan Fund (City): Similar terms to this program with less focus on the creation of jobs. Targets industrial, commercial, and service industries in business greater than 3 years.
  - b. Commercial Building Façade: A 0% interest loan program for façade projects on any commercial building in the City.
  - c. Micro Loan: Similar to the RLF (City) program at a lower maximum loan amount. Targets industrial, commercial, and service industries in business less than 3 years.

Private sector and local economic development organizations are focused primarily on addressing the workforce needs of the afore-mentioned targeted businesses. With historically low unemployment in the region, businesses are having difficulty finding workers to fill positions. A greater emphasis with these groups has been placed on the workforce pipeline from the local educational institutions to local businesses.

## C. FINANCING STRATEGY

- 1. Financing Needs: The financing needs and opportunities that this RLF can address is in providing working capital to small businesses; access to capital for start-up, downtown, and small businesses; and where the local capital market is not lending.
- 2. Local Capital Market: The local capital market sufficiently addresses the needs for established businesses with a strong track record. Private financing often breaks down where the loan-to-value threshold of a project is greater than .80. There is also a lack of private financing for working capital in capital projects, small businesses growth, and for new businesses. Private lenders are engaged with the City's programs and are members of the City's Loan Administration Board.
- 3. RLF Financing Niche: This RLF will finance start-ups, which are riskier due to the lack of bank financing available, along with business expansions. Working capital and loans with collateral approaching 1.00 loan-to-value are needed.

The key to the city's future growth is in attracting creative economy and knowledge-based jobs. As recognized by leading experts, the nature of employment in the United States is changing and attracting creative people and serial entrepreneurs has become part of the city's strategy.

#### **D. FINANCING POLICIES**

1. Eligible Lending Area: The eligible lending area is limited to the City of Eau Claire.
2. Allowable Borrowers: Any manufacturing, commercial, service, and creative economy businesses (excluding restaurants) located within the Eau Claire city limits and those businesses that are in sectors targeted by the city's Economic Development Plan. Priority will be given to business retention and expansion projects.
3. Allowable Lending Activities: Purchase of capital equipment, purchase of a facility, new construction, rehabilitation, reuse, and renovation of buildings, and working capital.

Overall the RLF will maintain 2:1 leverage at all times. Entrepreneurs and downtown businesses will probably require a smaller loan than existing businesses that are expanding operations.

4. Prohibited Lending Activities: (1) Acquisition of an equity position in a private business, (2) subsidizing interest payment on an existing RLF loan, (3) providing for borrowers' required equity contributions under other Federal agencies' loan programs, (4) enabling borrowers to acquire an interest in a business either through purchase of stock or acquisition of assets, unless sufficient justification is provided in the loan documentation, (5) providing RLF loans to a borrower for the purpose of investing in interest-bearing accounts, certificates of deposit, or any investment unrelated to the RLF, (6) refinancing existing debt, (7) relocation of companies located outside the Eau Claire area, or (8) any illegal activities.
5. Loan Size: The minimum RLF loan will be \$10,000 and the maximum will be \$150,000.
6. Interest Rates: The minimum interest rate that may be charged is four (4) percentage points below the lesser of the current money center prime interest rate quoted in the *Wall Street Journal*, or the maximum interest rate allowed under State law. In no event shall the interest rate be less than the lower of four (4) percent or 75 percent of the prime interest rate listed in the *Wall Street Journal*. Direct loans may charge higher per the risk.
7. Terms: The terms of the loan will vary depending on the collateral and uses of funds. As a guide, the RLF will normally go a maximum of 10 years on real

estate, 3-10 years on capital equipment (depending on the life of the asset), and 3 years on working capital loans. Short terms will be encouraged.

8. Fees: The RLF may charge origination and other fees to the maximum allowed by EDA. The City reserves the right to charge a fee if approved by the RLF Board. The fees would be used to offset administration costs, especially when businesses switch lenders and require new issuance of the loan.
9. Equity & Collateral: The City will record a lien against the collateral pledged for the loan. In some instances, the lien may be a subordinate lien. Fixed asset loans will be collateralized with the assets purchased. It is in the intent of this RLF to be as flexible as possible while staying within prudent lending policies. Any subordination of loans, principal deferments, etc., will require Board approval.

Working capital loans can be collateralized with inventory, fixtures and receivables, or anything else the RLF Board deems necessary. All loans will be secured with physical or real property with a maximum loan-to-value ratio of 1.00. Owners may be required to provide collateral external to the business.

Proper insurances such as Hazard and Key-Person will be obtained as approved by the RLF Board. Personal guarantees will be required for all owners with greater than 20% stake in the business.

10. Moratoria: Initial payment of principal may be delayed up to 18 months as approved by the RLF Board. Other loan payment deferrals will be considered on a case by case basis by the RLF Board.
11. Start-Ups: New business start-ups will be required to submit a business plan along with their application. Owners will be required to submit personal tax returns and may be required to provide collateral external to the business.
12. Working Capital: Working capital loans will be allowed. Working capital loans can be collateralized with inventory, fixtures and receivables, or anything else the RLF Board deems necessary.
13. Credit Not Otherwise Available: The RLF loan cannot be used to substitute for available private capital. Potential borrowers must demonstrate that credit is not otherwise available. The program desires to leverage bank participation. The City will accept a letter from the bank stating the RLF is necessary. In the case of direct loans, the borrower will have to provide a letter to demonstrate the bank cannot successfully invest in the project.

## **E. PORTFOLIO STANDARD AND TARGETS**

1. Target Percentages: The City of Eau Claire will target the following percentages regarding their RLF loan program:

- a. 50% of the program will target the downtown areas as defined by the lower geographic region of the City; the remaining 50% will target upper commercial and industrial areas;
  - b. 50% for business retention and expansion, and 50% for start-ups;
  - c. 50% for fixed asset loans and 50% for working capital.
2. Private Sector Leverage: This RLF portfolio will target a ratio of two dollars in private financing for every one dollar in RLF financing.
3. Job Cost Ratio: This RLF portfolio will target one job created or retained for each \$35,000 that is loaned. The jobs created must be full-time jobs that pay at least \$15.00 per hour. Benefit-eligible positions will be encouraged. Retained jobs are those that will not continue without a loan made under this RLF.

**F. RLF LOAN SELECTION CRITERIA**

1. Is the proposed loan and all activities consistent with the RLF Plan?
2. Does the proposed loan application capitalize on existing regional assets?
3. Will the proposed loan support and advance innovation and increase productivity in a particular industry or emerging sector of the economy?
4. Is the potential borrower part of an existing or emerging industry cluster?
5. To what extent will the project leverage private investment that would not otherwise come to fruition without the RLF's investment?
6. Will the proposed loan result in the creation or retention of higher-skilled and higher-wage jobs?

**G. PERFORMANCE ASSESSMENT PROCESS**

1. Performance of the RLF will be evaluated by the Loan Administration Board, Economic Development Manager, and Business Assistance Specialist on an annual basis. This will occur in conjunction with the preparation of the annual report to EDA and continuously as the job creation requirements are validated.
2. The RLF Plan will be reviewed and updated by staff every five years or as needed due to changes to the Plan. The goals of the Plan will be reviewed in conjunction with above-mentioned review by staff and the Board.

## **PART II:**

### **REVOLVING LOAN FUND OPERATIONAL PROCEDURES**

#### **A. ORGANIZATION STRUCTURE**

1. Critical Operational Functions:

The evaluation of loans will be done in part by the participating lending institution and in part by City staff. For applications where credit is not available, City staff will perform the evaluation. The City's Economic Development Division maintains at least one staff member that is certified as an Economic Development Finance Professional by the National Development Council.

Marketing the RLF, identifying eligible projects, assisting businesses with the application process, credit analysis, and the evaluation of loan packaging is first the responsibility of the Business Assistance Specialist. The City's Finance Department staff is responsible for performing the loan processing, closing, and servicing. Monitoring the loans and making recommendations to the Board is the joint responsibility of the Economic Development and Finance staff.

The participating financial institution will be required to provide the RLF Board with a summary of their credit analysis on why they feel comfortable making the loan, the level of risk and collateral analysis, terms, and conditions.

If a participation loan, the financial institution will be responsible for collection of payments, including the RLF payments. By participating on a pro-rata basis, the RLF will be guaranteed its percentage of the payment even if the borrower pays less than the normal payment. The financial institution will also be expected to start all legal action on loans in default representing the RLF's interests.

2. Loan Administration Board:

Final authority for all RLF loans will rest with the Loan Administration Board. The Board is made up of no more than 11 individuals representing the community for a term of three years and appointed by the City Council. The Board includes public and private sector officials with varied backgrounds and sectors of expertise. The Board shall have members representing small business, financial institutions, accounting, attorney, and economic development resource partners.

Any policy decisions and changes to policy will be the responsibility of the Board. The Board will rely on the expertise and recommendations of City staff, including the Finance Director, the Economic Development Manager, and the City Attorney.



The Economic Development Manager serves as the advisor of the RLF Board to keep them current of the RLF Plan, including financial policies, targeting criteria, and loan selection criteria.

City staff will review submitted applications and financial statements. They will meet with the applicant and participating financial institution, if applicable, to discuss needs and possible terms. City staff will make recommendations to the Board, which has the final authority on all loans. For approval, all loans must receive a majority of votes of members present. A quorum is required for all actions and is a minimum 6 members.

3. Conflicts of Interest:

a. Definitions.

- i. An “Interested Party” is any officer, employee or member of the Eau Claire City Council, including any other parties that advise, approve, recommend or otherwise participate in the business decisions of the City, such as agents, advisors, consultants, attorneys, accountants or shareholders. An Interested Party also includes the Interested Party’s “Immediate Family” (defined as a person’s spouse or partner in a domestic relationship, parents, grandparents, siblings, children and grandchildren, but not distant relatives, such as cousins, unless the distant relative lives in the same household as the person) and other persons directly connected to the Interested Party by law or through a business arrangement.

b. Conflicts of Interest Generally.

- i. A conflict of interest generally exists when an Interested Party participates in a matter that has a direct and predictable effect on the Interested Party’s personal or financial interests or there is an appearance that an Interested Party’s objectivity in performing his or her responsibilities under the Project is impaired.
- ii. An appearance of impairment of objectivity could result from an organizational conflict where, because of other activities or relationships with other persons or entities, a person is unable or potentially unable to render impartial assistance, services, or advice. It also could result from non-financial gain to the individual, such as benefit to reputation or prestige in a professional field.

c. Conflicts of Interest Rules.

- i. An Interested Party of the City of Eau Claire shall not receive, directly or indirectly, any personal or financial benefit resulting from the disbursement of RLF loans. A financial interest or benefit may include employment, stock ownership, a creditor or debtor relationship, or prospective employment with the organization selected or to be selected for a sub award.
  - ii. The City of Eau Claire shall not lend RLF funds to an Interested Party.
  - iii. Former board members of Recipient and members of their Immediate Family shall not receive a loan from the RLF for a period of two years from the date that the board member last served on the Eau Claire City Council or Loan Administration Board.
- d. Duty to Disclose. The City must, in a timely fashion, disclose to EDA in writing any actual or potential conflict of interest. To deal with any potential conflicts of interest, the application has a section that asks whether or not the owners of the company are related by blood, marriage, law or business arrangement to any officer or employee of the grantee or any member of the grantee board or directors. The application will be reviewed by City staff as to whether or not there is a potential conflict of interest. The City Attorney will be responsible for making a ruling on any conflict of interest issue.
- e. Written Standard of Conduct.
  - i. The City maintains a Code of Conduct for the Eau Claire City Council and members of its Boards, Commissions, and Committees.
  - ii. The City's Code of Conduct governs the performance of its employees engaged in the selection, award and administration of contracts.
- f. Standard Terms and Conditions. The City also adheres to the requirements for conflicts of interest set forth at Part III of these RLF Standard Terms and Conditions, DOC Standard Terms and Conditions, Section F., Conflict of Interest, Code of Conduct and other Requirements Pertaining to DOC Financial Assistance Awards, Including Subawards and Procurements Actions, Subsection .01, Conflict of Interest and Code of Conduct.

**B. LOAN PROCESSING PROCEDURES**

- 1. Standard Loan Application Requirements.

- a. Completed Application
  - b. Financial institution commitment letter or, in the alternative, explanation on why credit is not available.
  - c. Financial statements of the business (current plus last 3 years)
  - d. Personal financial statements
  - e. Pro-form projections (start-ups)
  - f. Business Plan (start-ups)
  - g. Employment Plan
  - h. Background Check Disclosure
  - i. Federal and EDA compliance documents
2. Credit and Financial Analysis: City staff will compile credit and financial analysis documents sufficient to determine credit worthiness and financial soundness of the applicant. This will be determined through the following documents:
- a. Credit reports
  - b. Financial statements submitted
  - c. Third party independent audited financial statements
  - d. Appraisals for mortgages
  - e. Bank statements for cash
  - f. Invoices for equipment

The participating lender will be expected to present its credit analysis report to the Board. The lender will provide such analysis as standard lending ratios, ability to repay, quality of management, past credit history, reliability or pro-formas, borrower cash injection, collateral and risk analysis and suggested terms and conditions. If there is no external financial institution involved, City staff will review to determine financial soundness and make a recommendation to the Board. Business and Personal Guarantees will be required of all applicants regardless of collateral position.

3. Environmental Review: An environmental assessment will be made on each loan that involves construction or use of lands. The Board will deny any loans that will adversely impact flood plains, wetlands, historic and archeological properties, water resources or other non-renewable resources. The City of Eau Claire's Engineering Division will perform a review that will:
- a. Determine whether the project will result in a significant adverse environmental impact. The applicant may be asked to submit additional documentation as necessary to make the determination. No activity shall be financed which would result in a significant adverse environmental impact unless that impact is to be mitigated to the point of insignificance. When necessary to ensure compliance, any required mitigation shall be made part of the loan conditions.
  - b. Determine whether the project involves new above-ground development within a floodplain based on a review of the proposed development

against FEMA Flood Insurance Rate Maps. No activity shall be financed which would result in new above-ground development in a 100-year floodplain, per E.O. 11988. This determination will be made by reviewing the proposed development against FEMA Flood Insurance Rate Maps.

- c. Determine whether the project will be located within or adjacent to any wetland area. The applicant may be required to provide wetland delineation information as necessary. No activity shall be financed which would result in alternation of any wetland or in any adverse impact on any wetland without consultation with the U.S. Department of the Interior Fish and Wildlife Service and, if applicable, a Section 404 Permit with the Army Corp of Engineers shall be obtained.
- d. Notify the State Historic Preservation Officer (SHPO) of each approved loan that involves significant new construction and expansion and request and receive comments on the effect of the proposed activity on historic and archaeological resources prior to closing of the loan. In cases where SHPO has recommended actions or has determined an adverse impact/ the Recipient and loan applicant must work with the SHPO and EDA to address any issues identified before the loan is closed.

All loan applicants are required to provide information regarding whether or not there are hazardous materials such as EPA listed hazardous substances (see 40 CFR 300) leaking underground storage tanks, asbestos, p polychlorinated biphenyls (PCB) or other hazardous materials present on or adjacent to the affected property that have been improperly handled and have the potential of endangering public health. If deemed necessary, loan applicant may be required to perform or provide evidence of performance of a Phase I Site Assessment to identify possible sources of contamination/ a Phase II Site Assessment to test soil and/or groundwater samples/ and a Phase III Site Remediation involving mitigation of applicable contaminants. No activity shall be financed which involve unresolved site contamination issues. Loan applicant shall be responsible for working with the appropriate state environmental agency office to resolve any outstanding issues before any loan can be approved for the affected site.

4. Loan Write-Up. City staff will provide information to the Board in the form of a loan write-up, which may include elements provided by the private financial institution. The information in the write up shall summarize the key components of the proposed loan, including firm history, management, product, productions capability, market conditions, financing, collateral, repayment ability, consistency with the RLF's financing policy, and whether there are any environmental issues.
5. Procedures for Loan Approvals.  
The initial review of the loan application will be made by the Business Assistance Specialist for compliance with all policy guidelines as a recommendation to the Economic Development Manager. If in compliance, the Economic Development

and Finance staff will review the project with the lender, if any, and the Board. The lender will be expected to present its credit analysis report to the Board. The lender will provide such analysis as standard lending ratios, ability to repay, quality of management, past credit history, reliability of pro-formas, borrower cash injection, collateral and risk analysis and suggested terms and conditions. If there is no external financial institution involved, internal staff will review to determine financial soundness and make a recommendation to the Board.

The Board will consider the application and determine if it meets the criteria. The Board has the final decision on all loans, terms, and conditions. A majority vote of the current members constitutes an approval of any matter relating to a loan. The City of Eau Claire Economic Development Division is responsible for taking Board minutes and documenting motions, and providing them to the Finance Department for inclusion in the loan files. The City of Eau Claire Finance Department will contact the loan recipient to schedule a closing date.

## **C. LOAN CLOSING AND DISBURSEMENT PROCEDURES**

1. Loan Closing Documents. The City of Eau Claire Finance Department will maintain the loan files, including:
  - a. Original, signed loan application
  - b. Loan Agreement
  - c. Meeting minutes documenting the approval of the RLF loan application
  - d. Promissory note
  - e. Security agreement(s)
  - f. Deed of trust or mortgage (as applicable)
  - g. Agreement of prior lien holder (as applicable)
  - h. A signed bank “turn-down” letter demonstrating that credit is not otherwise available.
  - i. Statement of Non-Relocation
  
2. Loan Agreement Provisions.
  - a. In the case of bank participation, the RLF loan funds will be dispersed by the bank and payments will be made to the lender. In the event of a direct loan, the City’s Finance Department receives invoices for equipment purchased or closing documents. The purpose of each loan is clearly stated on the loan agreement.
  
  - b. All RLF loan documents and procedures hold the Federal government harmless from and against all liabilities that the Federal government incur as a result of providing an RLF Grant to assist directly or indirectly in site preparation or construction, as well as the direct or indirect renovation of repair of any facility or site.

- c. The RLF loan will state that all recipients must comply with the Federal statutory and regulatory requirements that apply to activities carried out with RLF loans. The Economic Development Manager is expected to review compliances and to note the findings in the loan file. If a violation is found, a letter from the business of corrective action, approved by the RLF Board, must be placed in the file. The RLF Board may decide to call the loan due and payable.
3. Loan Disbursement: Borrowers may be required to submit invoices for equipment purchased or participate in closing statements.

#### **D. LOAN SERVICING PROCEDURES**

1. Repayment. If a participation loan, the lender will be responsible for collection of RLF payments and sending them to the City Treasurer. For all loans, the City Treasurer will record all payments on a provided amortization schedule. The Treasurer will report all payments to the City Finance Director. The City Finance Director will make a monthly loan report available to the Economic Development Manager who will monitor the payments for the RLF Board.

The Finance Director will be responsible for setting up a separate RLF account and will handle all disbursements and receipt of funds. The Finance Director will keep a monthly status of RLF funds and will provide a copy to the City Manager and Economic Development Manager.

2. Monitoring. The Economic Development Manager will be responsible for compliance with the EDA's reporting requirements. The Economic Development Manager and/or the Finance Director will monitor loan conditions including required procedures for financial statements, annual insurance renewals, UCC refilling, borrower site visiting, tickler files, and any Federal requirements of the grant award.
3. Loan Files. The safekeeping of loan documents will be handled by maintaining all files electronically by the Finance Department. All electronic files are backed up at an off-site location for redundancy purposes.
  - a. The City of Eau Claire shall maintain Closed Loan files and all related documents, books of account, computer data files and other records over the term of the Closed Loan and for a three year period from the date of final disposition of such Closed Loan.
  - b. This should include the application, closing documents, copy of private lender loan agreement, financial statements, annual insurance certifications, annual site visit reports, general correspondence, and job reports.

4. Job Creation: Each individual borrower will be monitored for job creation every year on the anniversary of their loan by the Business Assistance Specialist. On-site audits of payroll will take place if necessary.
5. Defaulted Loans: The RLF delinquency and default policies will closely follow those of the participating lender and state law. If payments are missed, the lender or Economic Development Manager will determine why and what problems and solutions are involved. The RLF Board will be apprised of legal action being taken, every effort will be made to resolve the problem and keep the business operating. Only after this is done and the RLF's and lender's funds appear to be at great risk will legal action be taken with the RLF Board's approval. Every effort to minimize RLF losses will be made and immediate contact will be made within 10 days after a payment is missed.

The following are the priority of payments on defaulted RLF loans:

- a. First, towards any costs of collection.
  - b. Second, towards outstanding penalties and fees.
  - c. Third, towards any accrued interest to the extent due and payable.
  - d. Fourth, towards any outstanding principal balance.
6. Write-Offs. Determination that a loan is not collectible will be made through a combined effort of the Economic Development Manager and Finance Director through contacts via phone and email, along with personal visits to the business. Upon determining the loan write-off, the Economic Development Manager and/or Finance Director will consult the City Attorney and begin to draw on the collateral.

## **E. ADMINISTRATIVE PROCEDURES**

1. New RLF's. The City of Eau Claire accounts for the loan fund in total. The City made a cash contribution to the fund in 1991/1992.
2. Accounting. The strategy for managing the RLF is to make good loans that will repay the principal and interest so that other businesses will be able to receive loans in the future. Our track record shows great success with the loans that have been issued by the board. The shortest-term possible will be given to borrowers without sacrificing ability to repay.

The City's policy on uncommitted funds will be to invest the funds in either state investment pools or in treasuries or government agencies securities. The RLF will have a separate account from other city funds and a separate analysis and auditing procedures will track the loans and investments of uncommitted funds.

The City of Eau Claire will ensure that the RLF is operating in accordance with Generally Accepted Accounting Principles (GAAP).

3. Administrative Costs. The City of Eau Claire will use up to 50% of the interest income or the maximum allowed by RLF whichever is greater from RLF loans for administrative costs.

The City of Eau Claire has specific accounts set up to track administrative expenses. Time sheets are used to determine percentage of time spent on projects and charged out to the specific account.

4. Allowable Cash Percentage. EDA shall notify each RLF recipient by January 1 of each year of the Allowable Cash Percentage that is applicable to lending during the Recipient's ensuing fiscal year. The City will manage their repayment and lending schedules so that at all times as to not exceed the Allowable Cash Percentage.
5. EDA Reporting. The City of Eau Claire will comply with the EDA requirements to submit financial reports at a frequency determined by EDA, based upon the City's fiscal year-end. The Business Assistance Specialist and Finance Staff will be responsible for completing and filing the reports.
6. Audits. The City is required to submit an annual audit of the RLF in accordance with Uniform Guidance 2 CFR Part 200 Subpart F. The RLF must be shown on the Schedule of Federal Expenditures.