

A G E N D A

Revolving Loan Fund Committee and Possible Quorum of the Budget Committee and/or City Council

**City of Junction City
680 Greenwood Street**

**Wednesday January 12, 2022
1:00 p.m.**

To join the Committee meeting via computer, tablet, or smartphone, please go to:

[Zoom Meeting Link](#)

You can also dial in using your phone.
United States: (508) 924-2509

1. Call to Order
2. Changes to the Agenda
3. Approval of Minutes
 - a. April 21, 2020
 - b. April 22, 2019
 - c. July 9, 2018
4. Public Comments for Items not Listed on the Agenda
5. Prior Committee open projects
6. Council Changes to Committee Criteria
7. Next Committee Meeting
8. Committee Member Comments
9. Adjournment

The Revolving Loan Fund Committee for the City of Junction City met on Tuesday, April 21, 2020, at 5:30 p.m. in a virtual meeting format via internet and phone.

Present Were: Mayor, Mark Crenshaw (Chair); Committee Members Craig Carpenter, Ethan Nelson, Kara McDaniel, and Winn Wendell; and City Administrator, Jason Knope.

1. Call to Order

Mayor Crenshaw called the meeting to order at 5:30 p.m.

2. Revolving Loan Fund Program Discussion

Mayor Crenshaw stated that at the last Council meeting, the Council talked about the potential need for additional relief funds to be made available to help small businesses within the Junction City. The goal for the Revolving Loan Fund (RLF) Committee was to collectively agree on a proposal for the Council on how the RLF funds might be used for this purpose.

Discussion followed and included:

- Committee members noted that there were federal and other programs offering assistance, but funds were quickly exhausted, and some programs were geared towards larger businesses. Chances of a small business actually getting loans from the SBA (Small Business Administration) were low and less than 5% of businesses that applied for PPP (Payroll Protection Program) actually received funds; therefore, the City's relief program could be made irrelevant to any federal or other funding.
- The Committee had discussed a year ago having grants and microloans as part of the RLF Program and staff was going to bring back more information on the grant program. The Committee was in favor of offering grants and microloans in a relief program.
- Staff had reached out to the small businesses in Junction City but had received very little response.
- The City did not require businesses licenses or business registries in the City, so it was unknown how many small businesses were in town.
- It was noted that the Chamber would have a good guess on the number of businesses, but not all businesses belonged to the Chamber.
- Administrator Knope noted that there was approximately \$715,000 allocated as part of the loan program with another \$360,000 in the Unappropriated Ending Fund Balance that could not be touched this fiscal year.
- Committee members shared that they wanted to impact a wide number of businesses but keep the funding amounts to where they could really help the businesses. It was noted that for many businesses, any amount of assistance no matter where it came from, would be a band aid.
- Committee members noted that they did not want to add too many stipulations because it would make it harder for people to jump through the hoops to access funds.

Funding Amount

Mayor Crenshaw asked how much did the Committee want to recommend using for the relief program?

The Committee consensus was to use \$300,000 of the \$715,000 available in the fund.

Grants/Loan Amount of \$300,000

Mayor Crenshaw asked how much of the \$300,000 the Committee recommended be used for grants and loans.

The Committee consensus was to use \$100,000 for grants and \$200,000 for loans.

It was noted that the grants would not be repaid, and it was estimated that out of the \$200,000 in loans, the City might get half of that back. It was noted that using these funds would be good, as it would be putting jobs back into the community.

Program Specifications/Oversight

Mayor Crenshaw asked if they should limit the amount to any single applicant. He referred to examples in the other programs where larger caps on limited funding served fewer businesses.

It was noted that the RLF Committee had talked about having smaller level items such as unsecured microloans be approved by staff, so the process could be expedited. In response to a question on if staff had approval authority on this, Mayor Crenshaw stated no changes had been made to the RLF program and applications were still reviewed by the RLF Committee and then sent to Council for approval. Mayor Crenshaw continued that instead of revamping what the Committee was working on for the entire program, they should define some specific things for this relief package. He believed that they could end up using this as a template to later make the permanent changes to the program that they had been trying to get done.

It was asked how they would address something like larger businesses who might have gotten some PPP or other federal funding applying for City program dollars, whereas a smaller business might not have received any assistance yet. It was noted that the Committee wanted to help those businesses that had fallen through the cracks and maybe part of the intake process would include a needs assessment.

It was noted that an example for the grant portion, a business application could be considered based on demonstrated need, so that way funding would be going to those who needed it most. Mayor Crenshaw expressed his agreement and stated that the question would not be something they could put onto staff. That would mean that the Committee would have to meet and review the application and then make a recommendation on each of those. The only way they could get staff to approve anything was if it fit in the box, yes or no. He added that he did not want to put subjective measures onto staff because that would fail to protect them.

Mayor Crenshaw asked for Committee feedback on the idea of making all program funding in loans and then the Council could decide later whether to waive repayment on those; he thought that focusing on one thing might make it easier to roll out the package and the federal PPP program was following that idea. Committee members responded that they felt that money that they did not expect to be paid back should be listed as a grant and that if something was a loan, it should be subject to repayment and not have the repayment waived or forgiven at a future date.

Committee members expressed that they did not think these smaller dollar amount grants and loans should come back to the RLF Committee for review, as there would be a very limited amount of credit review that would be done, so it did not necessarily need to come to the RLF Committee for that. The Council could lay out the parameters for what they wanted to see and either review, approve, and manage applications or assign that to a subcommittee.

Loan Interest and Terms

Mayor Crenshaw asked what the Committee recommendations were for interest/terms.

The Committee consensus was to have 0% interest, with no payments for 6 months. Loan payments would then be paid over the next 30 months for a total of 36 months.

Eligibility Criteria

Committee members noted that the Council would need to decide what businesses would qualify for these grants and loans.

Grant and Loan Individual Amounts

It was noted that the grant program at \$2000 could assist up to 50 businesses and the loan program of up to \$10,000 could assist up to 20; however, many of the businesses might need less than \$10,000, so that would allow funding for additional businesses.

The Committee consensus was to limit grants to \$2000 and loans would be up to \$10,000.

The Committee also agreed that a business could apply for either a grant or a loan and not both.

RLF Committee Meeting

It was asked if the RLF Committee should get another meeting date on the books, so they could be responsive to the Council. Mayor Crenshaw responded that he would have Administrator Knope contract everyone via email to find an available date for a second meeting, if needed. Mayor Crenshaw thanked everyone for their time.

3. Other Business

None.

4. Adjournment

As there was no further business, the meeting was adjourned at 6:28 p.m.

Respectfully Submitted,

Kitty Vodrup, City Recorder

The Revolving Loan Fund Committee for the City of Junction City met on Monday, April 22, 2019, at 6:00 p.m. in the Council Chambers of City Hall, 680 Greenwood Street, Junction City, Oregon.

Present Were: Mayor, Mark Crenshaw (Chair); Committee Members Craig Carpenter, Ethan Nelson, and Winn Wendell; Excused Absence: Kara McDaniel; City Administrator, Jason Knope; and City Recorder, Kitty Vodrup.

1. Call to Order and Pledge of Allegiance

Mayor Crenshaw called the meeting to order at 6:00 p.m.

2. Approval of Minutes

The July 9, 2018 minutes had not been prepared, so would consider at the next meeting.

3. Vice Chair Discussion

Mayor Crenshaw asked if the Committee would like to appoint a Vice Chair, to be able to hold meetings when the Chair was absent.

The Committee consensus was in favor of recommending to the Council that the RLF Criteria be amended in Section 2A to add that the Committee will elect its own Vice Chair.

ACTION: Staff to prepare a resolution amendment to add the Vice Chair language to the criteria.

4. Program Overview & Goals Discussion

Mayor Crenshaw noted that the Council had approved a resolution in July of 2018 to amend the RLF Criteria, per the Committee’s recommendations.

Amendments included keeping a minimum of \$1,000,000 preserved in the RLF as either outstanding loans from the fund or cash available for recycled lending. RLF Funds may be used to defray administrative expenses connected with the RLF. The Asset Allocation Limit shall be set at 10% for Façade Grants, 20% for Microloans, and 70% for Small Business Development Loans.

Amendments also included changing the Microloan amount from (\$5,000 to \$25,000) to (\$2,500 to \$25,000) and updating the Committee membership configuration. Also discussed was having three categories in the RLF Program and each category would have their own criteria and application packet:

- Grants – Up to \$2500
- Microloans - \$2,500 to \$25,000
- Loans - \$25,000 to \$200,000

The Committee discussed their goals and agreed on the following:

1. Would like to recommend to the Council to consider having grants be part of the program.

Discussion included:

- Grants could be \$2500 or less, would not be paid back and could be funded via the interest of the program balance in the LGIP (Local Government Investment Pool).
- Administrator Knope noted that there were Façade Program and Economic Development line items in the budget, but no polices/criteria had been developed for those.
- Could possibly remove the word “Façade” from the Façade grants references in the RLF Criteria, to allow grants to include items not attached to a building, such as for benches, planters, etc.
- It was noted that it would be nice to have some sort of public notification sent out when people could apply for grants, so everyone had the same chance to apply. It was added that when the 10% for grants was used, it would be gone, and the grant funding would basically be similar to a first come, first serve as long as they met the criteria.

2. Define different levels of approval authority, whether it is grants or loans.

Discussion included:

- Wanted to expedite processing of grants and loans, by making a process that was not as cumbersome.
- Specific criteria could be developed and if an application met the criteria, like for the example of grants, it could be approved by staff without having to go before the RLF Committee. Authorization for approving items could match the check signing or procurement limits that staff had.
- Goal was to get the money out there and to be used for the benefit of the community.

3. Develop some systems of RLF Program advertising and education.

Discussion included:

- It was noted that many people did not know about the program.
- Would be beneficial to meet with bankers, credit unions, and real estate brokers to let them know about the program.
- Share about the history of the program and what has been done in town.

4. Find out what the current needs of the community are.

Discussion included:

- Hold a luncheon or town hall meeting to ask businesses and community members what they would like to see in the program.

- An idea was having the University of Oregon graduate level marketing students engage local business owners on what they were seeking and what would make them use the program.
- Administrator Knope noted that he would like to see more of a coordinated effort for future land use and development, to include infrastructure planning, making ground potentially “shovel ready”, and offering other tools such as Enterprise Zones and the RLF Program as incentives for bringing businesses into the area.
- It was noted that the larger master plan and policy decisions rested with the Council, but the RLF Committee was tasked with making recommendations to the Council on seeing the RLF Program be a very effective tool.
- It was noted that it was up to the Council to determine the level of risk tolerance that they were comfortable with and what criteria to impose for microloans and loans.
- Committee members noted that they did not want to hold microloans to the same standards as the larger loans, so they could get the money out the door and working. Example could be that in the packet they would only have to provide one year of tax returns. The microloans could be used to purchase equipment, make improvements to the property, etc. and could be for a shorter term of between 3 to 5 years.
- Committee members noted that they would recommend applying the same standards as financial institutions do for the larger loans, as there was more risk.
- The Committee could provide regular education to the Council on the different levels of risk tolerance and why they recommended stricter standards for the larger loans.
- It was noted that grants and microloans would not require leveraging with private sector or conventional financing, like the larger loans.

ACTION: It was asked how much was in the RLF fund. Administrator Knope responded that he could bring a print out of the fund, showing the balance and individual line items.

- It was noted that there was a typo on page 6 under Use of Interest and Fees from Activity, and \$1,000,000 was missing a zero.

ACTION: Staff to make correction.

5. Application Packet Review

The Committee reviewed the application packet and recommended:

- Have three separate application packets: one for grants, one for microloans, and one for loans.
- Create a separate checklist for each packet.
- Keep the packet the same for the larger loans.

- Make slight revisions to the application for microloans.
 - It was noted that feedback from citizens had been there were too many check boxes.
 - 1st Page: No changes.
 - 2nd Page: Much of the information would be useful to keep. Project costs and collateral could be reduced to just the headings, but keep total project, equity/capital injection/down payment, Loan Amount and Repayment terms.
 - 3 to 5 year term for Microloans.
 - Could add supplemental packet insert, if a business was a corporation, as there would be additional paperwork required.
 - Could possibly require one year of tax returns for Microloans or pro forma.
 - 3rd Page: Would not need a lot of the information on that page.

- It was noted that applicants could provide their own financial statements; however, the packet did include financial statement forms.

- Administrator Knope noted that he was working with the Finance and Judiciary Committee to formulize a City grant program and the RLF grants could dovetail in well with that.

- It was noted that for the grants, the City would want some assurance that the applicant was going to do what they said. Administrator Knope responded the City currently had a process for ensuring work was done.

- Committee members noted that whatever process was used for RLF Program components, they wanted to make sure that it was not too cumbersome for staff. Administrator Knope responded that having criteria and packets for the program elements would make the process much easier for staff and if things became too burdensome, it could be further reviewed.

ACTION: Staff would develop the three application packets.

6. Other Business

Administrator Knope asked if the Committee would like to reserve some standing meeting dates. The Committee consensus was to meet every 60 days to keep the process moving along, with future meetings to be held at the end of June, August, October, and December.

ACTION: Administrator Knope would send out possible meeting dates for June and August.

7. Adjournment

As there was no further business, the meeting was adjourned at 7:17 p.m.

Respectfully Submitted,

Kitty Vodrup, City Recorder

The Revolving Loan Fund Committee for the City of Junction City met on Monday, July 9, 2018, at 6:30 p.m. in the Council Chambers of City Hall, 680 Greenwood Street, Junction City, Oregon.

Present Were: Mayor, Mark Crenshaw (Chair); Committee Members, Craig Carpenter, Ethan Nelson, and Kara McDaniel; and City Planner, Jordan Cogburn.

1. Call to Order and Pledge of Allegiance

Mayor Crenshaw called the meeting to order at 6:30 p.m.

2. Approval of Minutes – July 19, 2017

MOTION: Committee Member Nelson made a motion to approve the July 19, 2017 minutes. The motion was seconded by Committee Member Carpenter and passed by unanimous vote of the Committee.

3. Changes to the Agenda

None.

4. Continued Business

A. Business Development Loan Application Process Review

Planner Cogburn noted that at the last Committee meeting in July of 2017, the Committee made some changes to the Revolving Loan Fund (RLF) Criteria and asked staff to bring back a draft of those changes. Committee reviewed and added a few additional changes.

The Committee consensus was to recommend the following RLF Criteria changes and have staff take to the Council at their next meeting:

Program Elements

- D (1). Eligible Projects and Activities: Expand the loan area from within the City limits to within the Urban Growth Boundary. Staff would provide two options for Council consideration: one within City limits and one within UGB.
- D (5). Loan Criteria:
 - Change “Business Counseling and Approved Business Plan” to “Business Counseling and Completed Business Plan.”
 - In addition to RLF Microloans, add “Façade Grants” do not require leveraging with private sector.
- E (3). Size. Change Microloan amounts from “\$5,000 and up to \$25,000” to “\$2,500 and up to \$25,000.”
- E (3). Repayment Terms. Add “Additionally, the remaining loan balance will be called and shall be paid in full upon the relocation of the business outside of the Junction City limits.”
- E (7). Use of Interest and Fees from Activity.
 - Change a minimum of “\$800,000” will be preserved in the RLF as either outstanding loans from the fund or cash available for recycled lending to “\$1,000,000.”
 - Add language: “The Asset Allocation Limit shall be set at 10% for Façade Grants, 20% for Microloans, and 70% for Small Business Development Loans.”

Administrative Elements

- A. Loan Committee: Change membership make up to include up to 5 members, one of which would be a City Councilor or Mayor, three financial industry professionals, and one member of the public at large.

Additional Discussion

It was noted that the current RLF Criteria addressed the larger loans of \$25,000 to \$200,000 but did not provide guidance for Microloans or Façade Grants.

After discussion, the Committee consensus was:

- Have staff prepare three separate draft packets for the categories below and bring back for Committee review; each category would have its own criteria, guidelines, and packet information.
 1. Standard Loans - \$25,000 to \$200,000
 2. Microloans - \$2,500 to \$25,000
 3. Façade Grants – Amounts to be determined.
- Committee would discuss loan and grant processing and approval authority for each category. An example was giving staff authority to approve up to a certain dollar threshold.
- The RLF Committee could annually review the interest rate specified in the criteria to see if it was still appropriate. Current was a minimum of 5% and the Committee felt that language was reasonable for the standard loan.
- If Council approved the draft criteria and membership changes, staff would advertise for the positions; it was noted that it was time for regular member terms to be reappointed.

5. Agenda Forecaster Review

None.

6. Other Business

None.

7. Adjournment

As there was no further business, the meeting was adjourned at 8:05 p.m.

Respectfully Submitted,

Kitty Vodrup, MMC
City Recorder



City of Junction City

Business Development Loan Revolving Loan Fund Criteria

Adopted October 28, 1986 (by motion)

Amended 02-26-91 (Res. No. 543)

Amended 04-14-92 (Res. No. 562)

Amended 04-08-97 (Res. No. 657)

Amended 08-14-07 (Res. No. 935)

Amended 09-13-11 (Res. No. 1052)

Amended 07-24-18 (Res. No. 1196)

Amended 11-09-21 (Res. No. 1267)

1. Program Elements

A. Background

The Junction City Revolving Loan Fund was developed as the result of a grant to the City through the Oregon Community Development Program. A local industry requested the City apply for public financing for a major plant expansion. Substantial new investment was made within the City by this company as well as the creation of 80 new jobs. The City secured \$347,000 to loan to this company. Those funds as they are repaid, with interest, form the basis for funding future loan requests by local businesses.

B. Goals

The overall goal of the City of Junction City Revolving Loan Fund (RLF) is to encourage business expansions and start-ups and thereby create new job opportunities within the City. The method employed to encourage this expansion will be to utilize the RLF and local matching funds to make low interest subordinated or participation loans to small business concerns. These loans may be made in cooperation with commercial lending institutions or other sources of debt capital or equity capital.

C. Targeting Criteria

Businesses and industries targeted for the Junction City RLF include:

- ❖ Manufacturing or other industrial production,
- ❖ Research and development activities,
- ❖ Development or improved utilization of natural resources,
- ❖ Tourist facilities,
- ❖ Transportation or freight facilities,
- ❖ Publishing or broadcasting activities,
- ❖ Retail, service and professional enterprises, and
- ❖ Other activities which represent technology or type of economic enterprise that the Junction City Council determines as needed to help diversify the community's economic base.

As a general rule, manufacturing or industrial projects will take precedence over commercial projects due to their relative high employment per dollar ratio and the economic diversification, which they provide. Although it is not anticipated that a significant change will occur in the area's economic composition in the short run, should a vital shift happen, a subsequent realignment of criteria may be instituted with the Junction City Council's approval.

D. Standards for the RLF Portfolio

Eligible applicants include private for-profit firms, such as corporations, partnerships, and sole proprietorships.

Ineligible applicants are entities and organizations other than those described above.

1) Eligible Projects and Activities

The RLF will be available to support the start up or expansion of businesses within the Junction City Urban Growth Boundary. Activities that may be undertaken include the following:

- Acquisition and assembly of land for commercial, industrial, and related uses, though speculative activities, such as land banking and construction of speculative buildings are not eligible.
- Acquisition of machinery, equipment, furniture, and fixtures.
- Acquisition of abandoned properties with redevelopment potential, though not for speculation.
- Development of real estate, including redevelopment and rehabilitation of historical buildings for industrial or commercial use.
- Other investments, which will accelerate recycling of land and facilities for job creating activity, such as assistance to firms to locate or expand in such facilities.
- Improvements to commercial or industrial facilities and streets.
- Working capital needs.

2) Ineligible Projects and Activities

These include:

- Projects involving the relocation of any firm from one area in the community to another, unless such move meets the job preservation or creation standards elsewhere described herein.
- Projects for which all funds are judged by the Loan Committee to be otherwise available from private lenders or other public agencies at terms which will permit the accomplishment of the project.
- Projects on which there is not reasonable assurance of repayment of the proposed loan(s) to the RLF.
- Project outside of Junction City Urban Growth Boundary.

3) Eligible Costs

These include:

- Land costs, such as engineering, legal, grading, testing, site mapping, related costs associated with acquisition, and preparation of land.
- Building costs, such as real estate, engineering, architectural, legal, and related costs associated with acquisition, construction, and rehabilitation of buildings.
- Machinery and equipment costs, including delivery, installation, engineering, architectural, legal, insurance, and related costs associated with acquisition and installation of machinery and equipment.
- Other costs contributing directly to the value of the project fixed assets, such as sales and use taxes, and interest on interim construction financing.
- Adequate contingency reserves.
- Working and start-up capital.

4) Ineligible Costs

These include:

- Acquisition of equity in private businesses.

- Subsidy of interest payments on existing loans.
- Refinancing or payoff of loans made by other lenders, except if the Loan Committee's approval is given prior to such loan issuance.

5) Loan Criteria

The standards described below apply to the performance of the RLF as a whole. The selection of a business as a recipient of the RLF will be based on its ability to meet the loan portfolio standards. Individual loans may vary from the loan portfolio standards in a case where a significant economic benefit is available by assisting a particular business. Less than the specified performance on one or all of the standards may be acceptable in such cases.

❖ Job/Loan Ratio

One full time equivalent job will be created for each \$50,000 of RLF loan.

❖ Types of Jobs Created/Saved

Preference will be given to businesses that create permanent jobs involving skills related to manufacturing and industrial production. In addition, service and retail-related jobs may be created with RLF funds.

❖ Business Counselling and Completed Business Plan

Start-up applicants will be required to meet with an Advisor at the Lane Small Business Development Center (SBDC) and provide a signed form (included), showing completion of a Business Plan, as part of the application materials.

❖ Private Sector Leveraging Ratio for Non-Microloans

The private sector leveraging ratio is defined as the amount of private dollars proposed as part of the funding package divided by the amount of the proposed RLF loan. The RLF loan amount may not be greater than the amount of private sector and/or conventional financing.

The portfolio average private sector leverage ratio is established at two (2) private dollars to every one (1) RLF dollar. The RLF program can provide a maximum of one-third of the funding required in a proposed project.

RLF Microloans and Façade Grants do not require leveraging with private

sector and/or conventional financing.

❖ Activities to be Financed

Loans from the RLF will be available to private for-profit small businesses for the purpose of start-up, expansion, and maintenance of existing operations. For the purposes of the RLF program, the definition of a small business will be that used by the U. S. Small Business Administration 504 program.

❖ Other Economic Objectives/Benefits

Other elements which will receive consideration in the selection of loans for the RLF program are:

- Linkages with the area's existing economy which would permit a business to absorb displaced or underemployed skilled workers in the area labor force, particularly for the low and moderate income.
- Companies whose markets appear to indicate the opportunity for significant expansion or production, and employment, over the short term.

E. Financing Policies

1) Size

Loans made under the terms of the RLF program will ordinarily not be under \$25,000 or over \$200,000; except that Microloans may be made for as little as \$2,500 and up to \$25,000.

2) Fixed Assets/Working Capital Goal

Not more than 25 percent of the loan portfolio will be for working capital. Working capital loans will generally only be made in conjunction with fixed assets.

3) Repayment Terms

Loan terms will not exceed the full useful life of the assets being financed. However, shorter-term loans will be encouraged in order to accelerate the reuse of the RLF dollars. Repayment will normally be accomplished in equal monthly installments, including principal and interest over the life of the loan,

except that a reasonable number of payments, typically no more than six months' worth, may be interest only if found necessary to make the project viable. Except in cases of loan renegotiation, standard loan repayment terms will generally be adhered to. RLF loan terms will normally not exceed the loan term of the participating private lender. Additionally, the remaining loan balance will be called and shall be paid in full upon the relocation of the business outside of the Junction City Urban Growth Boundary.

4) Interest Rates

The maximum RLF Interest rates will be set at no higher than the then current earnings from the Oregon Local Government Investment Pool plus five percent (5%). The minimum interest rate the RLF can charge is five percent (5%). Interest rates will be determined at the time of the loan approval and will be fixed over the life of the loan. A known rate contributes to the borrower's understanding of the program.

5) Special Financing Techniques

Loans will generally be made on a subordinated basis. This approach will lower the risk for commercial lenders and generally act as an incentive to encourage their participation. Longer amortization with early balloon payments may also be used where appropriate.

6) Restructuring or Modifying Loans

Terms and conditions of existing loans may be modified from time to time, as deemed appropriate, particularly to preserve the assets of the business and value of loan collateral, should there be a problem with loan repayment. In general, restructuring a loan will be accomplished in a manner that will produce a reasonable likelihood of repayment, given a current and complete reassessment of conditions. RLF loans will be restructured only where it improves a borrower's ability to repay.

7) Use of Interest and Fees from Activity

At all times, a minimum of \$1,000,000 will be preserved in the RLF as either outstanding loans from the fund or cash available for recycled lending. RLF Funds may be used to defray direct administrative expenses connected with the RLF. The Asset Allocation Limit shall be set at 10% for Façade Grants, 20% for Microloans, and 70% for Small Business Development Loans.

8) Fees and Charges

There will be a \$100 application fee. Additionally, borrowers will pay for any direct costs incurred in loan processing and closing, such as recording fees, attorney fees, escrow fees, loan document fees, etc. Payments are considered late 15 days following the due date and will be charged a 5% late fee (minimum of \$15) after that date.

9) Cooperation with Other Financing Programs

RLF loans will be used to fill gaps in the financing that exists for a wide range of business development purposes. This will be accomplished in a complementary manner to all public and private sources, including Oregon Community Development, SBA-504 and 7(a), Oregon Business Development Fund, Revenue Bonds, Cascades West Revolving Loan Fund, and others as appropriate.

2. Administrative Elements

A. Loan Committee

The RLF program will have RLF Loan Committee consisting of up to five members, one of which shall be a City Councilor or Mayor, three financial industry professionals, and one member of the public at large. Appointments will be made by the Mayor and approved by the Council for terms of two years.

The Committee terms are staggered so that two of the non-Council member terms end each September 30th. Appointed, non-Council members, may be reappointed for additional terms at the discretion of the Mayor and Council. If an appointed member of the Committee is unable to complete the term, or resigns before the term is over, the Mayor and Council must appoint another Committee member to serve out the unexpired portion of the term.

The RLF Loan Committee will meet on an "as needed" basis and elect its own Chairperson. A quorum shall consist of three members. In addition, the services of legal counsel may be made available to the Loan Committee. Legal services will be utilized on an "as needed" basis and this individual will not be a regular member of the Committee.

B. Staff Operation

The operation of the RLF, or parts thereof, may be performed by the staff of the City of Junction City or by any agent or entity with whom an agreement may be entered into for such purposes.

The primary activities of the staff with respect to the RLF program are as follows:

- Publicize RLF objectives and availability in the Junction City community.
- Screen all applicants, inviting promising candidates to submit preliminary information.
- Based on preliminary data, invite qualified candidates to submit detailed applications.
- For approved loans, ensure proper execution of documents, compliance with all appropriate regulations, timely loan closing and implementation of project.
- Monitor ongoing operations of loan recipients and recommend loan revisions as appropriate.

- Perform loan servicing and accounting.
- Perform loan collections, with attorney when appropriate, including asset liquidation.
- Provide regular financial reports for the RLF, including individual account status.

C. Loan Selection and Approval Process

The loan selection and approval process includes four states, as follows:

1) Marketing

Staff informs community interests about the availability of the RLF, as appropriate. Such interests may include the media, area bankers, area businesses, and the Chamber of Commerce.

2) Application

Normal and prudent lending standards are used in evaluating the strength and ability to repay of both businesses and individuals. However, loans may be made in some cases where, in the Loan Committee's judgment, the employment and other benefit potential (and the quality of business planning) outweigh risks that more conservative lenders would be likely to avoid. This would apply, for example, to almost all business start-ups, which are routinely excluded from consideration by most members of the financial community.

Procedures and flow are as follows:

- ❖ Preliminary discussion with staff representatives for eligibility and rough fit with RLF loan criteria. If another lending program is more appropriate, the staff member will recommend same if possible.
- ❖ Decision by staff representatives to invite preliminary written information or decline loan request at this point. If negative, inform applicant as to reasons for decline and as to actions available for appeal to the RLF committee. If positive, review preliminary information needs with applicant and provide counseling regarding the applicant's business plan, if appropriate.
- ❖ Preparation and submission of preliminary application, information, and supporting documents by applicant.
- ❖ Review of preliminary information by staff.

- ❖ Decision by staff to invite formal application or decline loan request at this point. If negative, provide a written explanation of reasons for decline and as to actions available for appeal to the RLF committee. If positive, inform applicant and schedule application conference, if needed.
- ❖ Application conference - review in detail the RLF full application needs, financial schedules, and any information determined necessary by staff with applicant.
- ❖ Submittal of formal application, all supporting documents, authorization for credit checks, and the application fee by applicant.

3) Review and Decision

Procedures and flow are as follows:

- ❖ Review by staff for completeness and regulatory compliance, with submittal of additional information by applicant if appropriate.
- ❖ Acceptance of formal application by staff representative.
- ❖ Detailed review and final recommendation to Loan Committee by staff, based on loan criteria, strength of business and principals, and all other factors. Recommendation will include whether or not to make the proposed loan, and if positive, what the terms and conditions should be.
- ❖ Submission of complete package, with recommendations, to Loan Committee.
- ❖ Loan Committee decides whether to approve or decline the loan request and what terms and conditions should apply.
- ❖ Those loans approved by Committee will be forwarded to City Council for final consideration.
- ❖ Notification to applicant in writing. If declined, include reasons for denial.
- ❖ The applicant has the right to appeal the RLF decision to the Council.

4) Loan Closing

Procedures and flow are as follows:

- ❖ Upon City Council approval, preparation of loan closing documents by staff, with attorney's review as necessary.
- ❖ Loan closing by staff.
- ❖ Filing of liens, as available, and completion of any remaining legal, regulatory, or housekeeping matters, all to be carried out by staff.
- ❖ Payment of loan closing fee.
- ❖ Disbursement of proceeds by bank or escrow agent according to directions.

D. Loan Servicing

Policies and procedures will be administratively established for managing and servicing the portfolio of the RLF. This will include closely monitoring payment performance, periodic review of financial data and employment generation, and personal inspections and site visits; all as appropriate.

In general, the City of Junction City wants to be an "understanding" creditor, willing to be flexible, but serious in its desire to be recapitalized by loan repayment from which to re-lend to deserving businesses within the community, thereby generating jobs. Loan monitoring, such as annual financial statement review and employment reporting, insurance premium payments, etc., will be established in a tickler system to assure the activity and regularity.

Because early detection of a potential problem is generally a valuable assistance in correcting it, follow-up communication and monitoring of borrowing businesses may be made after loan closing until full repayment. Should payment monitoring indicate a delinquency, a written notice or reminder will be generated and forwarded promptly 10 days after the due date, and if subsequently needed, 20 days after the due date. Thereafter, personal contact will be made, by phone or inspection at the site, for discussion of problems. The follow-up and direction, at this point, will be driven by an assessment of problems after considering all conditions then existing.

If allowing additional time to bring any payments current becomes inappropriate, modification or revision of the loan agreement will be considered if workable and beneficial to the health of the business. Modifications will not be approved unless they enhance the borrower's repayment ability without detriment to the RLF. The borrower must make a good faith effort under these conditions and not have a hopeless situation. While considering the legitimate special needs of the borrower, the RLF will operate in a manner that also protects its assets. Should default occur which does not show reasonable prospects for remedy, the RLF will move against the loan collateral and assets of the borrower and guarantors, as appropriate.

E. Other Requirements

In general, staff will obtain assurances of regulatory compliance before a RLF loan is disbursed;

monitor for compliance during the payback period; and in a case of confirmed and irremediable non-compliance, call the loan.

F. Amendments

The RLF Plan may be amended at any time by a duly approved resolution of the City Council