

Minutes of a Meeting of a Finance Sub-Committee

The Finance Committee of the McLean County Board met on Thursday, August 16, 2018, at 4:30 p.m. in Room 400 of the Government Center, 115 E. Washington Street, Bloomington, Illinois.

Members Present: Members Chuck Erickson, Dave Selzer, Catherine Metsker, Jim Soeldner and Laurie Wollrab

Members Absent:

Other Members Present: John McIntyre

Staff Present: Mr. Bill Wasson, County Administrator, Don Knapp, Assistant County Administrator; Eric Schmitt, Administrative Services Director; Ms. Julie A. Morlock, Recording Secretary, County Administrator's Office

Department Heads/

Elected Officials Present: None

Others Present: None

Chairman Erickson called the meeting to order at 4:30 p.m.

He confirmed no minutes or members of the public to address the Committee.

Chairman Erickson presented for discussion and possible action proposals for Economic Development Loan Programs. Mr. Erickson provided the history for these proposals including several CDAP Fund meetings. He stated the consensus of those meetings was to have a type of rural CDAP program. Mr. Wasson confirmed that the consensus was a loan program to be targeted at rural communities in McLean County and to propose for consideration a small business micro loan program. He said those were included in the proposal submitted by staff based on best practices and the former loan program. Mr. Erickson said he felt the goal of this meeting was to come up with parameters for those programs and asked each member to give their input on those parameters.

Mr. Erickson said he felt the best entity to help rural McLean County was the County and hoped we could put together a plan that mirrors our former CDAP program that helps rural McLean County. He said he did not have a set direction in mind for the small business micro loan program. Mr. Selzer stated that he agreed that we should mirror old program. He stated that while he was not against Mr. Soeldner suggestions he pointed out it was prohibited in the original plan.

Ms. Wollrab stated that she was not sure she could stay for the entire meeting so would lay out her questions about new proposal all at once if ok. She asked how the interested rate would be figured and if it would be beneficial to state some amount above or below prime so more flexible. She also asked if the overall philosophy of the program was to assist companies already in existence and/or new businesses as she felt helping both would be beneficial to the communities. She said another concern she had was the number of employees being listed as minimum of 50 as it seemed high. Ms. Wollrab also indicated that she was concerned about conflict of interest provision as she felt it should be more robust and stronger language. She questioned why retail is excluded and how would someone like Amazon be considered. She said a final concern was loaning that much money to one party as it mentioned up to \$200,000.

Mr. Wasson asked what employee number the Committee wanted. Ms. Wollrab said she felt maybe 10 or 15 employees to meet criteria for loan. Mr. Soeldner agreed that a lower number was more feasible for rural communities. He also asked if we are looking at a gap program because he did not feel that would receive a lot of interest. He stated that a micro loan program is small numbers and felt a good thing to be able to provide to smaller businesses. Mr. Soeldner said that his proposal was to help rural communities do small things that would help encourage people to come to the towns. Ms. Metsker said she was also not in favor of a bridge program for rural communities. She said she agreed with some of the items proposed by Ms. Wollrab including comments on interest rates and that 50 employees would be too many. She said micro program sounded good, but wanted to encourage people who are already there to startup businesses not necessarily bring in outside businesses.

Mr. Wasson clarified the members desired 10 as a number for employees and asked for other input. Ms. Wollrab asked about interest rates and whom we would be loaning money to because she felt that would influence the number of employees she would recommend. Mr. Wasson discussed the old CDAP loan program and interest rates that were offered. He stated that because interest rates were so low there was not much incentive to apply for that program. Mr. Wasson also stated that the gap and bridge loan programs are based on factor that people have to bring a viable project and can secure at least get 45% of the funding from themselves or other sources before getting a loan from us for remaining 55%. Ms. Metsker stated it was her understanding that we funded those who could not get funding in any other place and she did not support that type of loans. Mr. Wasson stated that generally speaking, it has been a loan program where gap existed in their ability to obtain funding from a private loan source, but we never loaned all the money. Mr. McIntyre summarized the history of loan program and indicated people stopped applying because interest rates were so low they did not need a gap loan. He stated that he felt Committee was looking at least two different loan programs. Mr. McIntyre stated that we needed to be careful about amount loaning out so we do not have too much of the money tied into one project.

Mr. Selzer said that he felt less in guidelines was more. He provided an example of a small business with very few employees and asked which program would help that individual. Mr. Wasson stated that the small micro loan program would fit that example. Mr. Wasson stated that minimum employee numbers are for the larger loan program. Mr. Selzer stated he felt the micro loan program would see more interest in rural areas. Mr. Soeldner said we can do whatever we want with this money, so we do not have to do what we did with the CDAP program. He stated that his idea was to help small towns with things such as parks, computer programs, signage that would encourage people to come to those small towns.

Mr. Erickson felt that it was not completely out of the realm of possibilities. Mr. Wasson stated that these proposals include all rural communities and unincorporated areas and brownfields in McLean County. Mr. Erickson asked where Mr. Soeldner's program fits into those programs. Mr. Wasson stated that it would fit better in the micro loan project. He said if an infrastructure project then communities need to consider Federal and State Assistance for those projects, as they would be more than we could assist with. Mr. Wasson said that we would also be concerned about non-profits seeking a loan as they typically do not generate revenue for the community and do not have collateral for loans. Mr. Soeldner provided an example of non-profit working with village to secure a loan to do project in the community. Mr. Wasson stated that

they could include a type of governmental loan, but pointed to the micro loan program, which would have fewer requirements so the committee could provide a loan to a municipality through that program.

Mr. McIntyre stated it was his understanding that under CDAP they had to provide paperwork, already done a loan with a bank and a business plan to show that they could pay the loan back. He said he felt that would be helpful information would be helpful for both loan programs. Mr. Selzer stated that Illinois Department of Commerce and Economic Opportunity still has community block development grants and communities may not realize what is available to them as a block grant with no repayment. He stated that if we included municipalities he would like to see a requirement that they had also applied for grants. Mr. Selzer and Ms. Wollrab agreed that it might be beneficial to have a resource here for them to receive guidance on where to get financial assistance. Mr. Wasson provided the example of Lexington and getting assistance from the economic development council for sewer system and water treatment. Mr. Erickson asked if there was a suggestion to include a requirement that government entities show they had applied for grants. Mr. Selzer agreed he was suggesting that for municipalities. He said larger loan applicants should show they had a consult with the Economic Development Council and micro loan applicants should show they have discussed plan with the Small Business Development Center. Mr. Wasson agreed with Mr. Selzer, businesses need to get in touch with EDC and SBDC because they can help businesses identify all the options available to them before depending on local sources.

Mr. Soeldner said he attended the rural mayor's association meetings and they aware of programs, but admitted that small villages might not be aware of all options they have. He said there are programs out there to assist with \$50,000 projects but not the \$10,000 projects. Ms. Wollrab said that she was seeing smaller communities in the bigger picture of development and not just a loan program. Ms. Metsker rejoined the meeting and Mr. Wasson summarized discussion while she was out Ms. Metsker asked if they could use small loans to hire consultants. Mr. Wasson stated that a small loan to hire consultant might be the best option.

Mr. Erickson asked about interplay with EDC and Finance Committee. Mr. Wasson stated that proposal is set up similar to how it worked with original CDAP program. The EDC would be the grant administrator, first point of contact, the Loan Committee including a number of financial representatives, the County Administrator and County Treasurer would review credit, and then EDC would bring the proposal to the Finance Committee who would make the final recommendation to the County Board.

Mr. Wasson summarized points discussed including 10 employees, not 50 for major loan program, up to 40% project costs covered by loan, terms for land and building loans would be 15 year, and machinery would be 7 year. Mr. Selzer said he was not sure how set these terms should be. Mr. Erickson asked if it could be a case-by-case basis. Mr. Wasson stated that it could be a case-by-case basis, but because of public funds and because Economic Development Council would administer, we need to have some guidelines. Mr. Selzer said he felt we should go with what we have so the community can start to utilize the loan program and then work out details as they come up. Mr. Erickson asked we would get feedback from EDC about the applicants that do not meet initial criteria so can we change criteria to meet the need. Mr. Wasson stated confirmed. Mr. Wasson stated that the old program had 150 basis points

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below market and asked if that rate was acceptable with the Committee for one or both of the loans. Committee agreed. Mr. Wasson confirmed they were ok with a minimum 10% non-borrowed cash equity. He also reiterated that the targeted growth was for rural communities, unincorporated areas and brownfields. Mr. Wasson also confirmed they were ok with reduction from old program of 1 job created for every \$15,000 to 1 job for every \$35,000. Mr. Soeldner agreed that the number needs to be small at least at the beginning. Mr. Wasson also said that there would be limit on loans for retail and non-profit. Mr. Wasson provided example of retail competition and indicated they could consider some non-competition language. Mr. Erickson said he liked that idea. Mr. Soeldner said that if applicant has to come up with 10% on their own and get financing from other institution he felt that showed they have done some research.

Mr. Erickson asked if wanted to send this back to full Finance Committee. Mr. Selzer agreed ready to go back to Finance. Ms. Metsker agreed, but cautioned that she did not want to have same discussion at that meeting. Mr. Soeldner said that as long as benefits from his program were included in micro loan program he was good.

Chairman Erickson confirmed that Staff had direction to bring loan program proposal to Finance Committee for consideration.

Chairman Erickson asked if there was anything else to come before the Committee; hearing nothing, he adjourned the Special Finance Committee at 5:39 p.m.

Respectfully Submitted,



Julie A. Morlock
Recording Secretary