Meeting Notes
Bay-Lake Regional RLF Discussion
February 12, 2013

Attendees: Rich Heath, Chuck Lamine, Ken Pabich, Pam Kolasinski, Ann Hartnell, Barb LaMue, David Less, Dan Pawlitzke, Mayor Denise Ruleau, Sarah Monahan, Bill Chaudoir, Fred Monique, and Matt Payette, and Mel Blanke and Wendy Gehlhoff (via phone)

The following key topics were discussed:

1. Pam Kolasinski replaces Chela O'Connor as the contact person for the regional RLF initiative at WEDC. Pam recently retired from the Marathon County Economic Development Corporation (MCDEVCO) and will be working in this capacity for the next several months until a full-time person has been hired by WEDC to fill this position. Pam was overseeing a regional RLF program, so she brings a lot of knowledge with her to help this region form its own regional loan program.
2. Barb LaMue indicated WEDC is still moving forward with its discussions with HUD regarding regionalization of the local RLF programs and do not anticipate any delays in the process.
3. At the December 11th meeting, multiple communities indicated that they had not received Chela's written guidance in November/December regarding how to amend RLF manuals to conform to HUD's LMI requirements. Mel (Plymouth) reported that he had since received the information from Chela before she left WEDC. Mel continues to have concerns, and they will have to be addressed going forward. He is concerned that the new requirements will make it difficult to make future loans under the RLF programs.
4. Ken (De Pere) was still questioning how the LMI requirements would be enforced because it is not clear as to how to explain them to local companies and what the performance expectations were for businesses receiving RLF money. Ken noted that he never received a response from WEDC after sending in the proposed changes to the City of De Pere's loan manual. Dave (Manitowoc) echoed the same comments that he had filed the changes and did not receive any written confirmation from WEDC. Dan (Two Rivers) noted that he did receive an email from Chela in which she stated that no response from WEDC was the equivalent of WEDC's approval.
5. Barb will follow up on responses to RLF manual changes, as well as Ken's concerns. She felt that a "reasonable" approach was for a company to document their efforts in hiring LMI's. The group felt that this matter deserved a legal opinion from WEDC as to what to tell companies and how to comply. Barb will follow up with in-house WEDC legal counsel.
6. Dan noted that at the December meeting, Chela had agreed to get a legal opinion regarding issues that Dave had raised at that time regarding conducting meetings electronically (Open Meetings Law) and how to assure businesses that their financial information was kept confidential. No information or guidance has been received to date.

7. Pam could not offer any clarity on Dan's issues. Barb will get legal opinions or clarifications on: (i) employer compliance requirements for LMI; (ii) WEDC's approval of RLF manual changes; (iii) treatment of business financials; and (iv) electronic meetings and compliance with the Open Meetings Law.

8. When asked what was going on in the way of regionalization in other areas of the State, Pam commented that efforts were underway in the East Central and Southwest regions.

9. Questions were raised as to any addition clarity regarding de-federalization of the monies. Questions were raised regarding how to attain 105(a)(15) nonprofit entity status for the planned subareas of the Bay-Lake region. No clarity was provided by WEDC representatives.

10. Dave outlined his concerns with the draft MOU, which included: (i) <u>Section II</u> – no statement on the local RLF programs being held harmless from actions taken by the fiscal agent, along with his dislike of the unilateral authority by WEDC to change the fiscal agent; (ii) <u>Section III</u> - determining upfront the eligible expenses for reimbursement; (iii) <u>Section IX</u> - discouraged writing the MOU as a contract and usage of the term "contract" in the document should be avoided, and language added that parties signing the MOU are agreeing only to the MOU, and not beyond; and (iv) <u>Section XV</u> - clarifying who "all the parties" are.

11. Ken is working with his in-house legal counsel to get a handle on costs related to the assignment of loans to a regional entity. Dave suggested that Ken have his counsel prepare a detailed memo and checklist to address how communities should handle the myriad of collateral arrangements (ie. recorded and non-recorded) in order to have consistency across the region in terms of the procedures to be followed. Dan commented on the different types of collateral that should be addressed in the memo.

12. Bill (Door County) felt that it was wise to wait for the program administrator to be created before considering any loan assignments. Barb commented that $50,000 had been set aside by WEDC to have an attorney set up the legal structure, and for reimbursement to local communities. Fred (Advance) commented that his organization was already a 501(c)(3).

13. Chuck (Brown County) suggested that the MOU language in Section III (A)d. regarding reimbursement for local legal fees be modified to delete references to assignment of contracts, and replace that language with "unanticipated costs."

14. Rich (Bay-Lake) commented that the Bay-Lake RPC was willing to take on the role of fiscal agent. The general sentiment of those individuals present was that it was acceptable that the Commission serve in this capacity during the transition.

15. Based on the comments brought up by the group, Pam will re-draft the Fiscal Agent MOU and provide it to Rich prior to the March meeting.

16. Mel commented that not every local loan program was participating in these discussions and thought sending specific invitations would be a good way to get representatives from each of the 22 programs to attend. The consensus was that it was good that each loan program did not have to agree upfront to participate; they can come to the table and join whenever they felt comfortable in doing so. However, by

signing on to the MOU, they would be able to receive reimbursement for expenses from WEDC during this transition. If they do not sign the MOU and decided to participate in the regional structure sometime in the future, they would not be eligible for reimbursements under this funding from WEDC.

17. Barb stressed that these WEDC funds are available from July 1, 2012 through June 30, 2013.
18. Dan asked if WEDC would be making presentations at the local level to explain why regionalization is an area of emphasis when the strategy over the past 25 years had been to establish local capacity? No clarity was provided by WEDC on this matter.
19. The group then discussed the February, 2013/Draft 3 of the proposed loan manual. The request was made for the manual to clarify the process for reimbursing municipalities for lost revenue, along with clarifying roles and policy making limits of the subregional vs. regional groups. Bill commented that the region needed some standardization and uniformity as to criteria to review deals and for loan approvals. Dan felt that the guidelines should be reflective of each area's appetite for risk, as this program was not intended to be another bank, but to be a provider of risk capital. Dan also noted that this was complicated due to the fact appetites for risks vary from community to community. Flexibility and responsible are characteristics the program design should retain. Bill explained that the loan administrator at the subregional or regional level would be doing due diligence on proposed loans and subsequently making recommendations to local loan committees.
20. Regarding future edits of Draft 3 of the loan manual, comments should be emailed to Ken Pabich on or before February 28th. Rich will send out a reminder email to everyone after this meeting concludes.
21. Fred restated Advance's intent to administer the regional program for 1% but clarified that the 1% administrative fee did not include legal fees required for problem loans or audit costs. Pam commented that she thought 1% would be too low and added that Central, WI was allocated 1.57% in administrative fees and that created a tight budget. Staff spend a lot of driving around the region working with the local loan programs and tracking loans.
22. Dave suggested a proposal to resolve the issue of entities that had historically relied on annual cash flow from loan repayments as a portion of local administrative dollars from their RLF programs. He suggested that these entities be able to receive a 10 year, cumulative lump sum prepayment of these revenues, deducted from a community's contribution to the regional RLF, at the time capitalization of funds was transferred to the regional entity. Pam did not think WEDC would agree with this proposal. Dave felt that this should be considered since it would be an easy way for WEDC to efficiently deal with these universal concerns that would continue to haunt the program going forward, and would upfront, take care of this local support issue as well. Chuck asked what WEDC's problem would be with this proposal, and should it be WEDC's decision alone, or be part of our regional strategy/program.
23. Bill commented that no one was being forced to come into the regional program. It would be a decision made by each community/entity. Bill asked if all the

monies capitalizing the regional fund had to be first expended before having the dollars being de-federalized. Pam was not certain, noting that for her program, they did not open up all programs at one time.

24. Pam stated that the local governing bodies would ultimately have to approve the manuals and participation in the regional RLF program.

25. Dave commented that the final organization and structure should be striving to be more efficient and less cumbersome than the current model or this entire process did not make sense. Ken commented that the issue of different local lending and review requirements and how to proceed with different philosophies/process in writing is a problem. He felt that a loan would have to meet the minimum criteria at the local level; otherwise the loan would go up to the next subregional or regional level. Ken asked that when individuals are reviewing the current draft (draft 3) of the loan manual to try and address what loan policies and criteria should be in place at the different levels.

26. Mel stated that he agreed with building in flexibility into the design of the programs giving the local loan committees some ability to make loans based on their local needs. He was not in favor of marketing a set formula.

27. Dan felt that key lessons of the National Development Council (low down payments, long term and low interest rates) should be the foundation of this program.

28. Fred suggested that the guidelines could specify minimum and maximum interest rates. Dave responded that he felt it was important to standardize the interest rates so as to keep equity between the borrowers and that the greatest impact would come from flexibility of loan terms. Dave also felt that the job criteria should be flexible to reflect as fundable, large capital investment/technology investment projects and the like that would increase tax base, but not necessarily be job creators. He cited the bias against downtown projects where there was typically little job growth associated with a capital expenditure. The group felt that 5-10% of the total portfolio would likely be targeted to higher risk projects. Pam commented that the interest rate needed to be greater than the administrative dollars taken out of the program so as to preserve the original loan principal. Bill felt that it might be advantageous to set the interest rate very low so as to disburse the monies as quickly as possible in order to gain de-federalization status as quickly as possible.

29. Mel felt that everyone should give thought to how exceptions would be handled, such as subregional review exceptions from local level, as well as regional reviews exceptions from subregional reviews.

30. For next the meeting in March, a **re-draft of the Fiscal Agent MOU** will be provided and approved, and **Draft 4** of the regional RLF manual would be reviewed.
    Next meeting has been scheduled for March 12, 2013 at 9:00 a.m. at the Bay-Lake Regional Planning Commission

Notes Taken By:
Rich Heath