

August 25, 2009

**RESOLUTION NO. 2009-53**

**RESOLUTION BY THE FINANCE AND HUMAN RESOURCES COMMITTEE  
APPROVING CHANGES MADE TO THE COUNTY OF RACINE REVOLVING LOAN  
FUND PROGRAM POLICIES AND PROCEDURES MANUAL**

To the Honorable Members of the Racine County Board of Supervisors:

**BE IT RESOLVED** by the Racine County Board of Supervisors that Racine County hereby approves changes as set forth in Exhibit "A" that is attached hereto and incorporated herein to the County of Racine Revolving Loan Fund Program Policies and Procedures Manual which regulates the County's Community Development Block Grant – Revolving Loan Fund (RLF) program.

Respectfully submitted,

1st Reading \_\_\_\_\_

**FINANCE AND HUMAN RESOURCES  
COMMITTEE**

2nd Reading \_\_\_\_\_

**BOARD ACTION**

\_\_\_\_\_  
Karen A. Nelson, Chairman

Adopted \_\_\_\_\_

For \_\_\_\_\_

Against \_\_\_\_\_

Absent \_\_\_\_\_

\_\_\_\_\_  
Robert N. Miller, Vice-Chairman

VOTE REQUIRED: Majority

\_\_\_\_\_  
Thomas Pringle, Secretary

Prepared by:  
Corporation Counsel

\_\_\_\_\_  
Russell A. Clark

\_\_\_\_\_  
Q. A. Shakoor, II

\_\_\_\_\_  
Van H. Wanggaard

\_\_\_\_\_  
Pamela Zenner-Richards

**The foregoing legislation adopted by the County Board of Supervisors of  
Racine County, Wisconsin, is hereby:**

**Approved:** \_\_\_\_\_

**Vetoed:** \_\_\_\_\_

**Date:** \_\_\_\_\_,

\_\_\_\_\_  
**William L. McReynolds, County Executive**

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**INFORMATION ONLY**

**WHEREAS**, the County's Revolving Loan Fund (RLF) originated from funds awarded to the County from the Wisconsin Department of Commerce (DOC) to assist specific businesses that were expanding; and

**WHEREAS**, as those dollars are repaid, they go into the RLF loan fund to be re-lent to other businesses in accordance with the regulations set forth in the Manual; and

**WHEREAS**, the DOC set limits (cap) on how much of the repaid loan funds can be retained by the County in its RLF versus returned to the DOC; and

**WHEREAS**, the County has now been approved for an increase in its cap thereby requiring major changes into the Manual.



## MEMORANDUM

**TO:** Racine County Finance and Human Resources Committee and  
Racine County Board of Supervisors

**FROM:** Carolyn Engel, Business Finance Manager

**DATE:** August 11, 2009

**RE:** Changes Made to the County of Racine Revolving Loan Fund Program Policies and  
Procedures Manual

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**The Request**

The Racine County Economic Development Corporation (RCEDC) requests Racine County's approval of updates made to the Racine County Policies and Procedures Manual (Manual) which regulates the County's Community Development Block Grant – Revolving Loan Fund (RLF) program. A copy of the updated Manual is attached for your reference.

**History**

The County's RLF originated from funds awarded to the County from the Wisconsin Department of Commerce (DOC) to assist specific businesses that were expanding. As those dollars are repaid, they go into the RLF loan fund to be re-lent to other businesses in accordance with the regulations set forth in the Manual.

The DOC sets limits on how much of the repaid loan funds can be retained by the County in its RLF versus returned to DOC. This cap was originally \$1 million but was previously increased to \$1,125,000. Based upon the results of a recent DOC audit, *the County has now been approved for an increase in its cap to \$1,312,500*, subject to completing the updates to the Manual. As monthly payments are received from customers, 50% of those are returned to DOC and the other 50% are retained in the RLF until the County reaches its new cap.

**Manual Updates**

The following is a summary of the major changes which been incorporated into the Manual. These changes are based upon recommendations of RCEDC staff as well as recommendations from DOC. Should the County approve the changes, the updated Manual will then be submitted to the DOC for final approval. The attached Manual is a redlined version reflecting all updates made to the Manual.

**Page 4, Section 1.2 - Objectives**

1.2.7- Objectives - Added: *"To encourage dairy producers to undertake capital improvement projects that will result in a significant increase in milk production"* Milk Volume Production initiative (MVP)

**Page 7, Section 2.3 – Records**

2.3.5– Repayment-Monitoring Files – Added: *"The RCEDC will notify the loan recipient in writing of any payment deficiencies of the action that will be taken should the payment not be made. Should there be a late payment; the RCEDC will contact the loan recipient to determine*

*the reason for the delayed payment. Contact may need to be made with other participating lender(s) to determine if their loans are current and to alert the lender(s) of a potential problem. All payments shall be applied first to accrued late payment penalties, then to interest accrued, and then to principal."*

2.3.6 – Loan File Review – Added: *"If appropriate, the Administrator will arrange for business assistance, including services available through the University of Wisconsin-Extension, Small Business Development Center (SBDC), the Service Corp of Retired Executives (SCORE), and other entities having an interest in serving the needs of businesses."*

**Page 8, Section 2.4 – Administration**

2.4.C – Loan Application and Legal Fees: Change: increased legal fees from \$800 to \$1,000. Added: Under unusual circumstances, the RLF Administrator may waive part or all of the required funds.

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**Page 9, Section 3.2 – Eligible Applicants**

3.2.4 and 3.2.5– Updated: *Non-discrimination language.*

**Page 9, Section 3.3 – Eligible Activities**

3.3.5 – Working Capital – Deleted: *"inventory and direct labor costs only."* This deletion now makes working capital in general as eligible for RLF financing rather than being limited.

3.3.6 – Added: *"To encourage dairy producers to undertake capital improvement projects that will result in a significant increase in milk production"* Milk Volume Production initiative (MVP)

**Page 11, Section 3.6 – Program Requirements**

3.6.4 – Updated: Penalty for failure to create or retain LMI jobs was simplified to \$500 per job where this requirement is not met unless otherwise waived by the RCEDC Loan Committee.

3.6.11 – Added: *Penalty for Failure to Comply with Reporting Requirements or any other condition of the Loan Agreement. The RCEDC Loan Committee shall have the option to increase the interest rate on loans to Borrowers who do not comply with reporting requirements under the RLF loan program or any other condition of their loan agreement. Interest rates will be set at rates determined by the RCEDC Loan Committee but generally Prime +2%.*

**Page 12, Section 4.1 – Terms and Conditions**

4.1.1 – Loan Amount – Updated: Removed maximum loan amount language making loan amounts “...subject to the availability of program funds and determined by the RCEDC Loan Committee.”

4.1.2 – Interest Rate – Updated: Removed minimum and maximum interest rates making rates “...determined by the RCEDC Loan Committee...”

4.1.7 – Collateral – Changed: Life insurance *will* be required to *may* be required.

**Page 17, Section 6.1 – Loan Procedures**

6.1.4 – Security – Added: “Mortgage or lien instruments or personal guarantees provided as security for all loans shall be prepared by The RCEDC attorney and executed at the time of the loan closing. The RCEDC attorney, or Administrator, shall record the instrument and place a copy in the project file to include: (a) Mortgage and/or security agreement. (b) UCC searches and filing. (c) Guarantee agreement. (d) Title insurance or Abstract. (e) Assignment of Life Insurance. (f) Casualty Insurance binder. (g) Personal guarantee. (h) Other documentation as may be appropriate.”

6.1.9 – Other Documentation – Added: “Other Documentation. As appropriate or necessary, the borrower may be asked to provide the following: (a) A Certificate of Status from the Department of Financial Institutions. (b) The Articles of Incorporation and By-Laws. (c) A Board Resolution to borrow funds and Secretary's certificate. (d) Current financial statements. (e) Evidence of having secured other funds necessary for the project. (f) An Environmental Assessment for real estate loans which may either be a Phase I, II, or III analysis, depending on the environmental condition of the site.”

**Page 18, Section 7.1 – Obligation of Loan Recipient**

7.1.8 – Updated: *Non-discrimination language*.

The Finance and Human Resources Committee amended:

**Page 5, Section 2.1 – Loan Committee**

2.1(4) . . . The RCEDC Loan Committee shall also have the authority to make policy recommendations for the administration of the program. ~~Quarterly~~ Semi-annual activity reports prepared by the RLF Administrator shall be provided to members of the County of Racine's governing body.