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3 **JOINT RESOLUTION BY THE FINANCE AND HUMAN RESOURCES COMMITTEE AND THE**  
4 **ECONOMIC DEVELOPMENT AND LAND USE PLANNING COMMITTEE APPROVING THE**  
5 **SEMI-ANNUAL RACINE COUNTY REVOLVING LOAN FUND (RLF) PLAN CERTIFICATION FOR**  
6 **THE PERIOD ENDING MARCH 31, 2015, AND AUTHORIZING SUBMISSION OF SAID PLAN**  
7 **TO THE UNITED STATES DEPARTMENT OF COMMERCE'S ECONOMIC DEVELOPMENT**  
8 **ADMINISTRATION**  
9

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

11  
12 **BE IT RESOLVED** by the Racine County Board of Supervisors that Racine County hereby  
13 adopts and approves the Revolving Loan Fund (RLF) Plan Certification for the period ending March  
14 31, 2015, which has been prepared by the Racine County Economic Development Corporation and  
15 is attached hereto and incorporated as Exhibit A.  
16

17 **BE IT FURTHER RESOLVED** by the Racine County Board of Supervisors that the Director  
18 of the Racine County Public Works and Development Services Department is hereby authorized  
19 and directed to submit the Revolving Loan Fund Plan Certification for the period ending March 31,  
20 2015, to the Economic Development Administration of the United States Department of Commerce  
21 for approval. The County Clerk is directed to transmit two certified copies of this resolution to the  
22 Racine County Economic Development Corporation, 2320 Renaissance Boulevard, Sturtevant, WI  
23 53177.  
24

25 Respectfully submitted,

26  
27 1st Reading \_\_\_\_\_

**ECONOMIC DEVELOPMENT & LAND USE  
PLANNING COMMITTEE**

28  
29 2nd Reading \_\_\_\_\_

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31  
32 **BOARD ACTION**  
33 Adopted \_\_\_\_\_  
34 For \_\_\_\_\_  
35 Against \_\_\_\_\_  
36

\_\_\_\_\_  
Mark M. Gleason, Chairman

\_\_\_\_\_  
Robert D. Grove, Vice-Chairman

37  
38 **VOTE REQUIRED:** Majority

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Mike Dawson, Secretary

39  
40 Prepared by:  
41 Public Works & Development  
42 Services Department

\_\_\_\_\_  
Thomas Pringle

\_\_\_\_\_  
Monte G. Osterman

\_\_\_\_\_  
Tom Hincz

\_\_\_\_\_  
Thomas Roanhouse

4 Respectfully submitted,

5 **FINANCE AND HUMAN RESOURCES**  
6 **COMMITTEE**

7 \_\_\_\_\_  
8 Q. A. Shakoor II, Chairman

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

11 \_\_\_\_\_  
12 Thomas Pringle, Secretary

13 \_\_\_\_\_  
14 Donnie Snow

15 \_\_\_\_\_  
16 John A. Wisch

17 \_\_\_\_\_  
18 Janet Bernberg

19 \_\_\_\_\_  
20 Brett A. Nielsen

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

33  
34 **Approved:** \_\_\_\_\_

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

36  
37 **Date:** \_\_\_\_\_,

38  
39  
40 \_\_\_\_\_  
41 **Jonathan Delagrave, County Executive**

42  
43 **INFORMATION ONLY**

44  
45 **WHEREAS**, on a semi-annual basis, the Racine County Economic Development Corporation  
46 is required to certify to the USDOC Economic Development Administration that:

- 47  
48 1. The Revolving Loan Fund is consistent with, and supportive of, the area's current economic  
49 adjustment strategy; and  
50  
51 2. The Revolving Loan Fund is being operated in accordance with the policies and procedures  
52 contained in the Revolving Loan Fund, and the loan portfolio meets the standards contained  
53 therein.

## Exhibit A



## RACINE COUNTY ECONOMIC DEVELOPMENT CORPORATION

### MEMORANDUM

**TO:** RACINE COUNTY FINANCE & HUMAN RESOURCES COMMITTEE  
RACINE COUNTY ECONOMIC DEVELOPMENT & LAND USE PLANNING COMMITTEE  
RACINE COUNTY BOARD OF SUPERVISORS  
RCEDC EXECUTIVE COMMITTEE

**FROM:** JANELL TOPCZEWSKI, COMPLIANCE/CLOSING SPECIALIST

**DATE:** AUGUST 1, 2015

**SUBJECT:** RACINE COUNTY REVOLVING LOAN FUND (RLF) PLAN CERTIFICATION FOR THE PERIOD ENDING MARCH 31, 2015

#### THE REQUEST

The purpose of this memorandum is to request that Racine County approve the March 31, 2015 semi-annual Plan Certification (attached). RCEDC has prepared the RLF Plan Certification report for Racine County approval to certify to the Economic Development Administration (EDA), on a semi-annual basis, that the County's Revolving Loan Fund (RLF) program is consistent with:

- 1) Racine County's Economic Development Plan (EDP); and
- 2) The policies and procedures within the RLF Manual.

#### REPORT HIGHLIGHTS

Overall, the RLF program is performing within the standards of the RLF Plan or performing better than those goals set for the program. Some of the key metrics include:

- 1) On page 3, item #1, the job cost ratio continues to perform better than the RLF goal of \$35,000 RLF dollars lent per job created. The total portfolio currently creates one job for every \$10,853.13 lent for the March reporting period and \$18,088.15 in the active portfolio;
- 2) On page 3 item #4, at minimum two private sector dollars need to be lent for each RLF dollar. The portfolio is also performing better in this area than the goal that was set. For the March reporting period the total portfolio has 7.59 private dollars for every RLF dollar lent and in the active portfolio 6.81 private dollars for every RLF dollar;
- 3) On page 8, item #23, the Capital Utilization Standard is being met. Currently 92% of the available capital is lent.; and
- 4) In this six month reporting period 4 new loans were closed 0 loans were paid in full.

The one certification the RLF program is not meeting and has struggled to meet historically is:

- 1) On page 4, item #7, a minimum of 15% of the loan fund should provide financing to minority owned firms. As of March 31, 2015 1.43% of the fund has been used for this purpose. Page 4 of the certification provides additional information on this goal.

It is noteworthy that in January 2015, the RCEDC Executive Committee made the decision to retain the goal of targeting minority and women owned business as a priority but removing the goal of 15%. These applications would continue to be considered a priority over other applications when funding availability is limited. This change would be considered by the Economic Development Administration with the next update to each RLF Plan. The County Plan has been with EDA for consideration since October 2014 (with the January 2015 amendment subsequently provided). Once this draft is approved by EDA, the new RLF Plan would then come before the County Board for approval.



MEMORANDUM

TO: RACINE COUNTY FINANCE & HUMAN RESOURCES COMMITTEE  
RACINE COUNTY ECONOMIC DEVELOPMENT & LAND USE PLANNING COMMITTEE  
RACINE COUNTY BOARD OF SUPERVISORS  
RCEDC EXECUTIVE COMMITTEE

FROM: JANELL TOPCZEWSKI, COMPLIANCE/CLOSING SPECIALIST

DATE: AUGUST 1, 2015

SUBJECT: RACINE COUNTY REVOLVING LOAN FUND (RLF) PLAN CERTIFICATION FOR THE PERIOD  
ENDING MARCH 31, 2015

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Introduction

In 1991 the Economic Development Administration (EDA) and Racine County established this low interest loan fund. The fund addresses the goals of business retention and small business development by utilizing RLF funds to create employment opportunities through the retention and expansion of existing, and the development of new, manufacturing and service-related businesses in the County. As these loan dollars are repaid, they are retained in the RLF and are available for relending to another eligible business. RCEDC maintains a service contract with Racine County to administer the County's RLF and has been administering these funds on behalf of the County since the inception in 1991.

Racine County is required to certify to the Economic Development Administration (EDA) on a semi-annual basis that:

1. The Racine County RLF Plan is consistent with and supportive of the area's current economic adjustment strategy; and
2. The RLF is being operated in accordance with the policies and procedures contained in the RLF Plan, and the loan portfolio meets the standards contained therein.

**The RLF Plan is Consistent with the Racine County Economic Development Plan**

Only those Challenges and Strategies that are applicable to the RLF Program have been included below:

Challenge One – To create an entrepreneurial culture in Racine County

Strategies:

- Existing programs will be maintained and new financial capital programs and resources will be attracted which address fundamental gaps preventing the start and growth of Racine County entrepreneurs.

Challenge Two – To focus on a proactive business recruitment program and a business retention and expansion (BRE) program that will create and retain jobs, create additional tax base and increase personal income in Racine County.

Strategies:

- Continue to implement a targeted and proactive business recruitment program.
- Maintain an active business retention and expansion (BRE) program that meets the needs of existing employers in Racine County
- Continue to provide staff assistance to business and local units of government to support business recruitment and business retention and expansion.

Challenge Four – To take advantage of the development opportunities that exist as a result of the Chicago-Milwaukee Corridor and to properly link land use with future business development county-wide.

Strategies:

- Provide high value real estate development opportunities that link Racine County with the Southeast Wisconsin Region and Northern Illinois, including an update of the Racine County Industrial Lands Absorption Study

Challenge Five – To link education and training in a manner that provides a competitive workforce to meet the present and future needs of local employers and to create opportunities for low-income, disadvantaged, and minority individuals to prepare for and obtain employment.

Strategies:

- Provide the infrastructure for new and expanding business and industry in areas of high unemployment and identify appropriate business targets with the potential to locate in and/or expand in these areas in order to employ the unemployed and underemployed persons that will be educated and trained through the programs identified elsewhere in the plan.

**The RLF is Being Operated in Accordance with the Policies and Procedures of the RLF Plan and the Portfolio Meets the Projected Guidelines Contained Therein.**

The following provides the original RLF standards, and the current status of the RLF as of March 31, 2015.

1. Job Cost Ratio. An average of one full-time equivalent job will be created and/or retained for every \$35,000 of EDA-RLF investment. Currently, the job cost ratio for the total portfolio is \$10,853.13 and for the active portfolio \$18,088.15. **We are currently performing better than the guideline set.**

Historical Trends:

	March 31, 2015	September 30, 2014	March 31, 2014	September 30, 2013	March 31, 2013
Active Portfolio	\$18,088.15 (14 Loans)	\$14,545.28 (11 Loans)	\$17,308.07 (11 Loans)	\$16,849.46 (10 Loans)	\$23,944.01 (11 Loans)
Total Portfolio	\$10,853.13 (70 Loans)	\$10,089.94 (66 Loans)	\$10,342.08 (65 Loans)	\$10,264.96 (64 Loans)	\$10,785.93 (64 Loans)

2. Assisting Long-Term Unemployed. All loan recipients are required to sign an "Employment Memorandum of Agreement" which requires that the business work with a Workforce Development Center (WDC) Business Consultant in making jobs available to low- and moderate- income persons. To date, all recipients have signed this memorandum. The Business Consultant is located at the Racine County Workforce Development Center which is a "one-stop" shop for meeting the needs of the unemployed. The Center serves persons involved in the welfare-to-work transition as a part of other activities. **We are currently meeting this guideline.**
3. Low- and Moderate-Income Benefit. All loan recipients are required to sign an "Employment Memorandum of Agreement" which requires that the business work with a WDC Business Consultant in making at least 51 percent of new and retained jobs available to low- and moderate-income (LMI) persons. To date, all recipients have signed this memorandum. As part of the efforts of making jobs available to LMI persons, the WDC also provides the job posting to community based organizations that could help reach LMI persons. **We are currently meeting this guideline.**
4. Private Sector Leverage Ratio. A minimum of two private sector dollars for each RLF dollar is required of business participants. To date, total RLF bank financing and equity participation in projects is \$48,879,433.90 and total RLF funds disbursed is \$6,435,907.94 for a leveraging ratio of 7.59 to 1.0. **We are currently performing better than the guideline set for this.**

Historical Trends:

	March 31, 2015	September 30, 2014	March 31, 2014	September 30, 2013	March 31, 2013
Active Portfolio	6.81 (14 Loans)	6.65 (11 Loans)	7.26 (11 Loans)	6.89 (10 Loans)	6.84 (11 Loans)
Total Portfolio	7.59 (70 Loans)	7.45 (66 Loans)	7.66 (65 Loans)	7.56 (64 Loans)	7.56 (64 Loans)

5. Types of Activities Eligible for Funding. All loans must be for fixed assets and working capital. All loans have been for these purposes. **We are currently meeting this guideline.**
6. Types of Businesses Eligible for Funding. The RLF strategy is to retain existing, and develop new, manufacturing and service-related businesses. The following is the distribution of the 14 loans in the active portfolio:

- A. 13 loans were made to existing businesses and 1 to new businesses (including company buy-outs).
- B. 9 active loans have been made to manufacturing companies, 0 made to commercial/retail companies and 5 to service companies.

**We are currently meeting this guideline.**

A maximum of 10 percent of the loan portfolio can be loaned to commercial/retail firms. Based on our total portfolio 7.14 percent of the RLF loans have been made to commercial/retail businesses. **We are meeting this guideline.**

The RLF Plan prohibits certain types of business financing. No loans or loan guarantees can be made to EDA Title II recipients. In addition, the RLF may not finance any equity, subsidize interest payments on existing loans, refinance loans made by other lenders, or contribute equity required by other loan programs. **We are meeting this guideline.**

There are several restrictions with regard to the types of businesses that can receive RLF loans:

- A. All loan recipients are located in the County of Racine.
- B. No loans have been made to businesses that have relocated jobs from outside the Racine labor market area to the County of Racine.
- C. No loans have been made that are not related to job creation or retention.
- D. No loans have been made that would create a conflict of interest for existing or former RCEDC Board members or staff.
- E. RLF funds have not been used for speculative activities.

**All of the above guidelines have been met.**

7. Standards to Achieve Economic Objectives and Benefits for the County of Racine. The RLF plan requires that all loans include an analysis of why other public sector loan programs were not used prior to using the RLF funds. All loans subject to this EDA regulation have included this in the loan write-up that is provided to the Loan Committee. **We are currently meeting this guideline.**

A minimum of 15 percent of the loan funds should provide financing for minority owned firms. Currently, a total of 1.43 percent of all the funds have been used for this purpose. **We currently are not meeting this guideline with an explanation provided below.**

Historical Trends- Ethic Minorities:

	March 31, 2015	September 30, 2014	March 31, 2014	September 30, 2013	March 31, 2013
Total Portfolio	1.43	1.54	1.54	1.61	1.61



The RCEDC experience has been that a significant number of minority entrepreneurs have sought funding for small loans for retail and commercial operations that are generally not permitted, nor cost effective, through the RLF program. Often, RCEDC makes referrals to the Women’s Business Initiative Corporation (WWBIC) as their programs are typically better suited (working capital) to meet the needs of these entrepreneurs (see comparison below). RCEDC staff also refers minority entrepreneurs to the appropriate microloan programs, UW- Parkside Small Business Development Center (SBDC), and Gateway Technical College’s Business and Workforce Solutions division (which includes LaunchBox) who has resources to assist these clients to grow their business to be successful. Some of the resources include “Growthwheel” and small business Accelerators.

- Growthwheel is offered through Gateway and SBDC. It is a visual toolkit for dialogue, decision-making and actions planning to assist entrepreneurs build their businesses through a simple action oriented process. The system determines which areas of the business (Concept, Customer Relations, Operations, and Organization) to focus on to strengthen and grow. Each of these four core areas is also broken down into five sub-categories for further evaluation. The Growthwheel program can be utilized by all business in any industry or stage.
- The Accelerator program offered through LaunchBox is designed to provide start-up business with a quick start by providing support and access to high-growth & tech-driven mentorship as well as commercialized assistance through a 12-week hands on program. The target business is one that has a well-established idea and is ready to use the intensive program to get their product or prototype to market. If the company successfully completes the program they earn a \$10,000 seed grant. In addition there is a “folding” requirement for graduates, in that they will be expected to give back by mentoring future cohorts.

Gateway, SBDC, and WWBIC create a pool of resources to connect companies with one-on-one counseling and programs like Growthwheel and the accelerator to launch and expand local companies. RCEDC maintains a close partnership with all of these organizations in order to make appropriate referral but also be a resource once the company’s expansion a line with the RLF program requirements.

In addition, Racine County has established the minority matching grant program to assists minority owned businesses. Businesses which are 51% or more minority owned can apply for this \$2,500 matching grant to assist with training and/or consulting services; financial services; marketing services; business operation services; legal services; information technology; and computer systems.

Historical Trends for WWBIC Referrals:

	March 31, 2015	September 30, 2014	March 31, 2014	September 30, 2013	March 31, 2013
WWBIC Referrals for financing	13	14	17	30	29

One significant reason for not reaching this goal is that the entrepreneurs contacting us to discuss their financing options tend to be a better fit for the Wisconsin Women’s Business Initiative Corporation’s (WWBIC’s) micro-loan program. Most businesses in the Racine area that have contacted us and that are owned by racial minorities tend to be commercial/retail businesses, which primarily have financing

needs specific to working capital such as the need for a line of credit. RCEDC makes referrals to WWBIC when appropriate for the customer's needs.

Below is a table that provides a comparison between the WWBIC and EDA RLF loan programs which explains why the EDA RLF program was not designed for certain funding needs and explains why WWBIC's program is better suited for those purposes.

	EDA – RLF	WWBIC*
<b>Program Fees</b>	Approx. \$3,350 (legal fees and 1.5% processing fee, would be \$2,250 on a \$150,000 example) plus out-of-pocket costs	\$375-\$1,275 based on loan amount
<b>Loan Amount</b>	Up to \$200,000 (average \$150,000)	\$1,000-\$100,000
<b>Loan Terms</b>	Average 15 years	6-year maximum
<b>Typical Use of Funds</b>	Fixed Assets (Real estate and Equipment)	Working Capital (Lines of Credit available)
<b>Bank Participation (Private Dollar Leverage )</b>	Required. A 2:1 private dollar match is required; the City RLF can only finance up to 33% of a total funding need.	Not required.
<b>Typical Total Project Amount</b>	\$450,000	\$1,000-\$100,000

\*WWBIC is now a participant in the SBA's Community Advantage program. If a borrower opts into this program they can have access to high loan amounts and longer terms.

8. Assurances for Maximum Private Sector Leverage. The RLF program will maximize private sector leverage and private equity contributions and ensure that RLF funds are not substituted for private financing. To this end, the RLF program requires: 1) financial institutions participating in the project to submit a letter stating that the financial institution is providing the maximum amount available and that the loan is contingent upon the receipt of RLF financing, and 2) equity contributions must be documented with a letter from contributing source that commits to the injection of the equity upon receipt of an RLF loan. **This guideline has been met for each loan and has been included in the loan write-up that is provided to the Loan Committee.**
  
9. Total Number of Loans in Initial Funding Cycle. A total of 70 loans to 59 companies have been made from the original grant, the recapitalization and loan program income. The number of loans required has been met. **We have met this guideline.**
  
10. RLF Loan Size. The anticipated average loan size is \$100,000, with a minimum loan size of \$5,000 and a maximum loan size of \$200,000 (unless approved on a case-by-case basis by EDA). Currently, the average active loan size is \$144,705.21 and the average for the total loan portfolio is \$91,942. The active loan size is slightly more than anticipated. The largest loan amount was \$470,000 (approved by EDA); with the smallest loan size being \$6,600. **Currently we are meeting this guideline.**
  
11. RLF Loan Proportions. Working capital loans cannot exceed 50 percent of the portfolio. Currently, zero percent of the active RLF loans have been made for working capital purposes and only 14.29% of the total portfolio has been used for working capital loans. **We are meeting this guideline.**

12. Standard Terms and Rate of Interest. The terms and interest rates of the loans have not exceeded the standards included in the RLF plan. Interest rates on all active loans are set at a fixed rate. **We are meeting this guideline.**
  
13. Special Financing Techniques. Special financing techniques the RLF program can offer to applicants include: 1) deferral of principal payments during the first year of an RLF loan, 2) the subordination of the RLF security position to private sector lenders that participate in the RLF program, and 3) the use of balloon payments. The RCEDC has subordinated its collateral to financial institutions, has deferred payments of the principal portion for seven active loans, and balloon payments are typically offered. **We are meeting this guideline.**
  
14. Equity Requirements. The RLF program requires a 10 percent equity injection for each loan. Consideration will be given for individuals who have made substantial equity commitments to the business. 64 loan recipients have provided a 10 percent or more equity injection. 2 loan recipients have provided a 5 percent equity injection, and 4 loan recipients have provided 0% equity injection, due to other previous cash contributions to the Company. **We are meeting this guideline.**
  
15. Collateral Requirements. The current goal of the RLF is to provide a 1:1 collateral coverage ratio on each loan. Personal guarantees and mortgages on non-project assets are often used to increase the collateral coverage when project assets are not sufficient. The goal of 1:1 collateral coverage is always sought but given the nature of the program is rarely achieved. In those cases, new project assets are often taken as additional collateral. Therefore, **we have met this guideline.**
  
16. Restructuring RLF Loans. One RLF loan was restructured. Racine Precision Machining is no longer an operating concern. The principal had agreed to make yearly payments of \$2,400 through June of 2006. In 2000, RCEDC filed a legal judgment against the borrowers to collect the outstanding principal balance of the loan. One half of the judgment was paid off and a judgment in the amount of \$13,429.31 is still active although it is unknown if RCEDC will be able to collect this money in the future. **We are meeting this guideline.**
  
17. Elements of a Loan Guarantee Program. The RLF may establish a loan guarantee program with recycled or second-generation RLF funds to reduce the risk of private lenders and thereby persuade lenders to provide financing that otherwise would not have been available. **The RLF has not provided any loan guarantees.**
  
18. Interest Payments on Recycled RLF Funds and Sales of RLF Loans and Loan Origination Fee. The RLF program will utilize a maximum of 50 percent of any and all program income for expenses associated with the administration of the RLF and will not charge more than 1.5 percent loan origination fees on all EDA-RLF loans. Loan related expenses allowed by EDA and approved by RCEDC Executive Committee have been charged to interest earned. **This guideline has been met.**
  
19. RLF Program Coordination with SBA 504 and Other Programs. The RLF program will utilize private sector financial institutions and the local SBA 504 Certified Development Company program, as well as other public sector financing programs, in packaging loans. **This guideline has been met and has been included in the loan write-up that is provided to the Loan Committee.**

20. Time Schedule for Loan Closings. All of the original RLF funds have been utilized within the three-year time period for disbursement. **This guideline has been met.**
  
21. Technical and Management Assistance. The RLF program utilizes the services of the Small Business Development Center (SBDC), as well as other providers of technical assistance. A significant degree of coordination between the RLF and the SBDC is currently being achieved. **We are currently meeting this guideline.**
  
22. Loan Packaging and Referral Services. The staff for the RLF program is responsible for all aspects of the RLF program, including program and policy development, finance, law, marketing, credit analysis and loan packaging, processing and servicing. The RCEDC staff prepares all loan packages for review by the Loan Committee. **We are currently meeting this guideline.**
  
23. Capital Utilization Standard. During the revolving phase, at least 75 percent of an RLF's capital should be in use. At any time subsequent to a second consecutive report showing that the applicable standard has not been met, EDA may require the grant recipient to deposit excess funds in an interest bearing account and EDA approval will be required to withdraw the sequestered funds. This goal was not met in previous semi-annual periods, thus \$25,683.50 of the RLF funds are sequestered in an interest bearing account. When those funds are needed for new project disbursements, RCEDC will seek EDA approval to release those funds into the RLF operating account. For the time period ending March 31, 2015, the RLF fund had 92.10 percent of its capital in use. RCEDC has worked diligently over the past few years to improve the RLF by adjusting loan terms to better meet current economic conditions (i.e. longer terms and reduced interest rates). **We are currently meeting this guideline.**