

**OREGON INVESTMENT BOARD
LOAN COMMITTEE MEETING MINUTES**

Wednesday, November 5, 2014
9:00 a.m.
515 E Second Street, The Dalles, OR 97058

ATTENDANCE:

Ken Farner, Bob McFadden and Ken Bailey
STAFF: Eric Nerdin, Sherry Bohn and Amanda Hoey

CALL TO ORDER:

Chair Ken Bailey called the meeting to order at 9:00 a.m. A quorum was present.

CONFLICT OF INTEREST POLICY

Ken Bailey asked the Committee to disclose any conflict of interests. No conflicts of interest were disclosed.

OIB LOAN COMMITTEE MINUTES:

Ken Farner moved to approve the minutes from May 8, 2014. Ken Bailey seconded the motion. Motion passed with one abstention (Bob McFadden).

ROLE OF THE LOAN COMMITTEE

Amanda gave an overview of the role of the loan committee and asked the committee to review the current role as presented, to discuss any changes that may be necessary and to make a recommendation if changes are preferred. Specifically, she asked that the committee discuss whether or not the loan modification requests should be brought to the OIB loan committee for prior review before being presented to the full board.

Discussion: Ken Bailey pointed out the need for consistency and periodic policy review. He also pointed out the differences between the MCEDD Loan Administration Board and the OIB Loan Committee including the decision making process. Ken Farner inquired about the Gorge Commission role. Ken Bailey and Amanda Hoey discussed the Gorge Commission's role as it relates to certification. Ken Farner asked what MCEDD sees as the void in lending focus between the MCEDD and OIB in relation to economic development focus.

Ken Bailey stated that he thought that loan modifications should be brought to the OIB loan committee before presentation to the full board. Ken Farner suggested there could be a differentiation between major loan modification decisions which could be brought to the loan committee for review and small changes which could go directly to the Board without initial review by the loan committee. In the case of small revisions, Ken Bailey suggested staff provide a written notification to the committee on the upcoming item with sufficient time to allow the loan committee to request a meeting if they felt it was needed.

REVIEW OF LOAN POLICY

Amanda Hoey explained the relationship between the various entities and the elements of the OIB Loan and Grants policy and the MCEDD Revolving Loan Fund Plan documents. Amanda asked about developing a consolidated document.

Discussion: In response to Ken Farner's earlier question on the gap OIB fills for lending, Amanda, Eric and the committee highlighted the following:

- Opportunities related to sharing risks across various funds
- OIB has broadly stated goals that allow for lending to businesses that do not fit requirements of some of MCEDD's other funds, such as mandatory job creation/retention numbers.
- Construction and remodeling projects. Revolved funds do not have the same requirements as non-revolved federal funds, particularly in relation to Davis-Bacon and prevailing wage regulations.

Ken Bailey stated that a combined OIB Loan and Grant Policy document that incorporates MCEDD's standard lending practices would be good. He requested that any differences between MCEDD and OIB objectives/standards be highlighted in the document. The committee consensus was to recommend the OIB direct staff to develop a combined document which highlights differences as suggested.

STAFF REPORTS/INFORMATION PREFERENCES

Ken Farner opened the discussion by stating that he had recently met with Amanda and that he would try to get his questions to Eric before meetings, but he is not prepared to make recommendations at this time. Ken discussed his preference to include client responsiveness as part of the discussion on delinquent loans. Amanda Hoey suggested that the staff/delinquencies report could include client responsiveness to address this request. Ken Farner agreed.

The discussion then centered on financials and management teams. Ken Farner noted that he was particularly interested in staff reports clearly identifying a business' financial history when the OIB is reviewing an additional loan to a client.

Bob McFadden asked if the OIB loan committee was looking to place conditions on a loan the same as what a financial institution would require. Ken Bailey stated that OIB needed to look at the deficient areas lacking funding capacity. Bob McFadden stated that if the OIB requirements are the same as a financial institution then OIB is not fulfilling its gap funding role.

Ken Farner asked about the equity policy and if it was project based or business based. Eric stated that the policy, as written, is based on a project as an indicator of a business owner's contribution and skin in the game. Ken Farner stated he was more interested in the overall equity and the capacity of the business to repay and meet their obligations, which is not indicated by the equity policy as written. The committee discussed the policy as a project basis versus business basis. The current policy is a project basis and provides a proxy for the additional investment a business is making in the project on which the OIB is lending.

RECOMMENDATIONS TO THE OIB

The committee recommends the OIB direct staff to develop a combined loan policy document. Staff will begin drafting a consolidated document and the OIB loan committee will update the

board and recommend the Board provide the approval to proceed with developing the document. The final document would be presented to the Board for review and approval. Amanda Hoey stated that staff would plan to prepare this document for review at a December loan committee meeting prior to the December full board meeting.

Ken Bailey requested the agenda for the next OIB meeting include a review of the OIB loan committee discussion and recommendations.

OTHER NEW BUSINESS

Amanda stated that the annual update to the Columbia River Gorge Commission was presented by staff yesterday. In the discussion, the Commission noted an option to review urban area policies, including as they relate to economic development. Amanda had highlighted the NSA economic vitality plan and the region's Comprehensive Economic Development Strategy and requested that the Gorge Commission partner with MCEDD and the Bi-State Advisory council in any urban area review to ensure consistency across economic development plans and efforts. The loan committee requested staff draft a letter requesting the partnership of the Commission and support of these two plans and to ensure additional criteria is not imposed that would restrict economic development. The committee asked staff to present the draft letter at the next meeting of the OIB for consideration.

ADJOURNMENT: Having no other new business, the meeting was adjourned at 10:20 a.m.