



Mid-Columbia Economic Development District

**MCEDD Loan Administration Board Meeting**  
**Tuesday, September 15, 2020**  
**8:00am**

Remote only

Please call (541) 296-2266 or email [ami@mcedd.org](mailto:ami@mcedd.org) for Zoom Meeting details

**AGENDA**

<b><u>Topic</u></b>	<b><u>Estimated Time</u></b>	<b><u>Item</u></b>
Call to Order, Introductions, Conflict of Interest Disclosures		
Loan Administration Board Minutes <i>August 4, 2020</i>	5 minutes	Approval
Loan Requests <i>Pharaoh's Family Farm</i>	10 minutes	Information
Loan Updates	5 minutes	Information
<b><i>Executive Session per ORS 192.660 (f) (Exempt Documents)</i></b> <i>Regular Session Reconvened</i>		
Loan Actions	5 minutes	Decision
Allowance for Doubtful Loans	10 minutes	Recommendation
Other New Business		
Adjourn		

The meeting location is accessible to persons with disabilities. If you have a disability that requires any special materials, services or assistance, please contact us at (541) 296-2266; TTY 711 at least 48 hours before the meeting. MCEDD is an equal opportunity employer, lender and provider.

## **Executive Session Protocol**

### **MCEDD Loan Administration Board**

After discussion agenda items are presented in open session by MCEDD staff, the LAB Chair will state the following: "Pursuant to ORS 192.660(f), Exempt Documents, I call the Executive session of the MCEDD Loan Administration Board to order".

LAB Chair asks all non-staff and non LAB members to leave the meeting. Staff will explain to visitors where they can wait and that they will be invited into Executive Session when their agenda item will be discussed.

For each discussion item on the agenda for Executive Session, the LAB Chair will follow the following procedural steps:

1. Invite the loan applicant (or their representative) into the Executive Session for the presentation of their loan request. LAB Chair requests a brief presentation from MCEDD staff on a summary of the loan proposal or other discussion item.
2. After presentation of information by staff, the LAB Chair asks if there are any questions for the loan applicant or MCEDD staff.
3. Following questions and discussion by the LAB, the loan applicant (and/or their representative) is asked to leave Executive Session with instruction that they will be invited into the Open session when Executive Session is adjourned.
4. LAB Chair asks LAB members if there is any discussion related to loan request that needs to take place before inviting the next loan applicant or other persons in to Executive Session for the next discussion item.
5. Additional discussion between the LAB members takes place then Steps 1-5 are repeated for each following discussion item for Executive Session.

At the end of discussion, the LAB chair will close the Executive Session. The LAB moves back to open session. At this point, the LAB Chair asks for a motion on the decision items in open session. Following a proper motion (motion and a second), the LAB chair requests discussion on the motion. Following any discussion, the LAB chair request a vote ("all those in favor, signify by saying aye" "all opposed signify by saying nay" "any abstentions?"). Staff may ask for a roll-call vote, if the responses are unclear

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**MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT  
LOAN ADMINISTRATION BOARD MEETING MINUTES**

Tuesday, August 4, 2020

Virtual Only

**ATTENDANCE**

BOARD: Scott Clements, Bob Hamlin, Les Perkins, AJ Tarnasky, Joe Dabulskis

STAFF: Jessica Metta (Executive Director), Israel Ayala Guevara (Loan Fund Manager), Ami Beaver (Administrative Assistant)

GUEST: Filipe Mendez Robles, On-Site Supply House

**CALL TO ORDER**

Scott Clements called the meeting to order at 8:04 am. A quorum was present. A round of introductions took place. Scott Clements requested declaration of any conflicts of interest. Les Perkins noted he does business with On-Site for Farmers Conservation District but it will not impact his decisions and would still participate in voting. There were no challenges.

**LOAN ADMINISTRATION BOARD MINUTES**

AJ Tarnasky moved to approve the minutes from July 21, 2020. Bob Hamlin seconded the motion. Motion passed unanimously.

**LOAN REQUEST: ON-SITE SUPPLY HOUSE, LLC**

Israel noted the conversation would focus on a proposal for a loan request from On-Site Supply House, LLC.

**EXECUTIVE SESSION**

Per ORS 192.660 (f) Exempt Documents, the MCEDD Loan Administration Board moved into Executive Session at 8:07 a.m.

Regular session was reconvened at 8:47 am.

**LOAN ACTION: ON-SITE SUPPLY HOUSE, LLC**

Scott noted that at this time the board is unable to support the request, but that there is a plan to help On-Site Supply House, LLC move forward. He said that while it is not the news Felipe may have been hoping for, the board is hopeful it will give him a path back to the table.

**AJ Tarnasky motioned to table** the request and refer Filipe to the SBDC to provide a formalized business plan that addresses better how he is going to get to profitability on a global basis. Bob Hamlin seconded the motion. Motion passed unanimously.

AJ noted that he would hope Filipe would not see this as a hard “no” but as an option for moving forward.

**EDA Revolving Loan Fund Plan Amendments**

Jessica noted MCEDD has received EDA CARES funds totaling \$770,000 to revolve in two years. The EDA has allowed some flexibilities for these new funds and existing EDA funds. Staff has researched what another EDD is doing. Jessica said it would be helpful for the board to consider how flexible they

want to be for getting these funds out. She asked the board for thoughts on three items: minimum interest rate, leveraging additional capital, and demonstrating credit is not otherwise available.

On waiving a minimum interest rate for RLF loans, staff believes our current plan provides enough flexibility for our needs and does not recommend a lower minimum interest rate.

*Discussion:*

*AJ noted our funding source for staff comes off the interest rate from the loans, so asked how we would fund MCEDD. Jessica said the funds came with 10% overhead which could make up the difference of a lower interest rate.*

*AJ said he would support what the staff sees as reasonable. Is there an opportunity to say 0% for 18 months and then it converts? He said he would be very interested in the staff recommendation. Jessica noted one suggested range has been 2.5%-4.25%.*

*Bob said 2.5% sounds pretty low. Israel noted the other EDD is offering 0% for just a 12 month period.*

On waiving the requirement for RLF loans to leverage additional capital, our current plan requires leverage of at least two dollars of additional capital from private lenders or private investment for each one dollar loaned as applied to the portfolio as a whole. The current plan allows flexibility on individual loans as circumstances warrant. Staff suggests an amendment to this requirement in our current plan and seeks Board feedback on the rate that is appropriate. Options could include 1:1 private to public dollars, 1:2 private to public dollars, or requiring no private dollars.

*Discussion:*

*Scott said under these conditions leverage doesn't seem the highest priority so the 1:1 match seems reasonable. Scott noted the EDA flexibilities are waived for a year and asked what this will do to our overall portfolio? He noted we have an outstanding portfolio we need to service.*

*Jessica said we asked the EDA if we would be penalized if we didn't make any loans with our existing EDA dollars during that time period. She said there has been some discussion whether we would use these dollars to refinance any of our current lenders and whether or not EDA would allow us to do that. She noted the other EDD put a clause in that they would not use funds to refinance their existing loans.*

*Israel noted if we fall under the utilization rate we won't be penalized. Our IRP will have to be utilized and some of the smaller funds have been revolved fully. We will need to satisfy the IRP and get as many dollars out of the new EDA fund as possible.*

*Scott asked if there had been any further discussion on what we are responsible for repaying this year for IRP. Jessica said no clear answer yet, but we do have a call set up for this afternoon with USDA.*

*Scott asked about leveraging public vs private dollars. AJ said he would defer to staff recommendation on leverage requirement. Bob noted he is happy with staff making that*

*determination. There was consensus to change our requirement to 1:1 leverage.*

On waiving the requirement for evidence demonstrating credit is not otherwise available, staff's recommendation was not to waive this requirement.

*Discussion:*

*AJ noted a lot of our referrals come from local bankers so to get the reputation as a competitor could be a problem with our referral pipeline. Scott noted that what we are offering is something very attractive and asked if the banks have a comparable product. AJ said the lowest rate for small business is just under 5%. Could participate based on banks rate vs what is available here - that would be a convenient strategy.*

*AJ asked if there is a way to make the bank piece less formal. Could staff just note that they spoke with a banker and the banker indicated that it was highly unlikely – if banker indicated it wouldn't be feasible or was problematic to allow some wiggle room which might make it more convenient for the client. AJ said it is against the rules for a bank not to accept an application. Jessica noted that we can accept just an email. Scott noted an email does have legal status. Scott said to make this as flexible as possible is in everyone's best interest. Scott asked if the group is willing to accept just Israel having a conversation and providing an attestation. AJ, Les and Bob gave their verbal agreement.*

Israel asked if the Board would want to adjust the cost per job requirement. He noted the other EDD loans at \$15,000 to \$25,000 per job created versus the MCEDD rate at \$35,000 per job created. Jessica noted the other EDD is more restrictive and staff would consider. Scott noted that the take away from this that we are looking to liberalize this to relax the boundaries, so he hopes staff takes that away from the conversation.

### **FUNDED LOANS UPDATE**

Scott asked if there was a need to return to executive session for loan update on LDB Beverage Company. Israel noted it was.

### **EXECUTIVE SESSION**

Per ORS 192.660 (f) Exempt Documents, the MCEDD Loan Administration Board moved into Executive Session at 9:16 a.m.

Regular session was reconvened at 9:20 am.

### **FUNDED LOANS ACTION**

**Bob motioned to allow** staff to proceed with selling off the note for LDB Beverage Company. AJ seconded the motion. Motion passed unanimously.

Jessica thanked the board for staying later than usual. Scott seconded that.

**ADJOURNMENT:** The meeting was adjourned at 9:25 a.m.

*Respectfully submitted by Ami Trosley, Administrative Assistant*

## Memorandum

**Date:** September 10, 2020  
**To:** Loan Administration Board  
**From:** Jessica Metta, Executive Director, and Dana Woods, Finance & Operations Manager  
**Re:** Allowance for Doubtful Accounts Balances

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**Request:** Provide direction as to determining the Allowance for Doubtful Account balance for FY21.

### **Background**

The Allowance for Doubtful accounts for each loan fund represents a percentage of the loan balances which may become uncollectable. IRP Loan Accounts (320, 321, 322) is the only loan fund which requires a specific allowance rate, which is 6% of loan outstanding balances as the allowance rate for the FY.

Currently, a 6% Allowance Rate was used for all funds for consistency. In some years, a few loan clients presented challenges and indicated a potential in which MCEDD may not be collecting on these loans, at which time it was determined to increase the Allowance Rate for those affected funds due to the increase in risk. A higher rate may be desired if it is determined that there is higher risk due to current loan clients with challenges, higher delinquencies, or greater overall risk due to COVID-19.

<b>Loan Fund</b>	<b>July 31 Accounts Receivable</b>	<b>Allowance Rate</b>	<b>Allowance Balance</b>	<b>July 1 Allowance Balance</b>	<b>Change to Allowance</b>
IRP	\$1,903,949.51	6%	\$114,236.97	\$54,805.89	\$59,431.08
IRP - SH	\$157,158.25	6%	\$9,429.50	\$10,387.61	(\$958.12)
IRP - WA	\$291,677.05	6%	\$17,500.62	\$15,257.43	\$2,243.19
EDA RLF	\$559,795.68	6%	\$33,587.74	\$41,277.39	(\$7,689.65)
Reg Strat	\$119,097.72	6%	\$7,145.86	\$10,036.11	(\$2,890.25)
RBEG	\$239,347.73	6%	\$14,360.86	\$30,833.86	(\$16,473.00)
CDBG Micro	\$2,299.54	6%	\$137.97	\$ 2,021.76	(\$1,883.79)
Housing RLF	\$565,603.43	6%	\$33,936.21	\$14,737.95	\$19,198.26