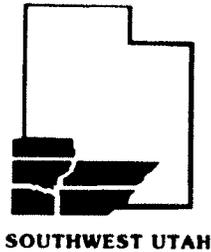


# Five County Association of Governments

1070 West 1600 South, Building B  
St. George, Utah 84770

Fax (435) 673-3540



Post Office Box 1550  
St. George, Utah 84771

Office (435) 673-3548

## **\*\* M E M O R A N D U M \*\***

**TO: ALL STEERING COMMITTEE MEMBERS AND INTERESTED PARTIES**

**FROM: COMMISSIONER LOIS BULLOCH, CHAIR**

**DATE: NOVEMBER 10, 2010**

**SUBJECT: STEERING COMMITTEE MEETING, NOVEMBER 17, 2010**

THE NEXT MEETING OF THE STEERING COMMITTEE WILL BE HELD ON WEDNESDAY, NOVEMBER 17, 2010, AT THE FIVE COUNTY ASSOCIATION OF GOVERNMENTS OFFICE, CONFERENCE ROOM, LOCATED AT 1070 WEST 1600 SOUTH, BUILDING B, ST. GEORGE, UTAH. **A SPECIAL LUNCHEON TO RECOGNIZE OUTGOING BOARD MEMBERS WILL BEGIN AT 12:00 NOON AND WILL BE HELD AT THE SAME LOCATION.**

THE ATTACHED MATERIALS ARE PROVIDED TO ASSIST YOU IN PREPARING FOR OUR MEETING. PLEASE REVIEW ALL MATERIALS AND ADDRESS ANY QUESTIONS OR CONCERNS TO THE AOG STAFF, C/O KENNETH L. SIZEMORE. THIS WOULD ALLOW STAFF TIME TO RESEARCH YOUR QUESTIONS OR CONCERNS PRIOR TO THE STEERING COMMITTEE MEETING.

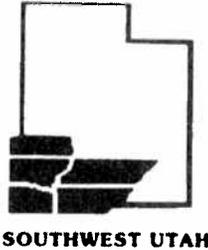
WE LOOK FORWARD TO MEETING WITH YOU IN ST. GEORGE ON WEDNESDAY, NOVEMBER 17, 2010.

KLS:DL  
ATTACHMENTS

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## **\*\* A G E N D A \*\***

**STEERING COMMITTEE MEETING  
NOVEMBER 17, 2010  
FIVE COUNTY ASSOCIATION OF GOVERNMENTS OFFICE  
CONFERENCE ROOM  
1070 WEST 1600 SOUTH, BUILDING B  
ST. GEORGE, UT - 1:00 P.M.**

**(PLEASE JOIN US FOR A LUNCHEON TO BEGIN AT NOON)**

- I. MINUTES OCTOBER 13, 2010 - REVIEW AND APPROVE**
- II. FY 2010 AUDIT REPORT**
- III. 2011 ANNUAL MEETING SCHEDULE - TENTATIVE**
- IV. REVOLVING LOAN FUND PLAN FINALIZATION**
- V. RECOGNITION OF OUTGOING BOARD MEMBERS**
- VI. DIXIE STATE COLLEGE UPDATE**
- VII. SOUTHERN UTAH UNIVERSITY REGIONAL SERVICES UPDATE**
- VIII. GOVERNOR'S OFFICE UPDATE**
- IX. CONGRESSIONAL STAFF UPDATES**
- X. LOCAL AFFAIRS**
  - A. CORRESPONDENCE**
  - B. OUT-OF-STATE TRAVEL**
  - C. PERMANENT COMMUNITY IMPACT BOARD APPLICATIONS**
  - D. PLANNING ASSISTANCE**
  - E. OTHER BUSINESS**
- XI. AREAWIDE CLEARINGHOUSE REVIEWS**

In compliance with the Americans with Disabilities Act, individuals needing special accommodations (including auxiliary communicative aids and services) during this meeting should notify KENNETH SIZEMORE, EXECUTIVE DIRECTOR, FIVE COUNTY ASSOCIATION OF GOVERNMENTS, at 1070 West 1600 South, Building B, St. George, Utah, (435) 673-3548 at least three working days prior to the meeting.

# MINUTES

## STEERING COMMITTEE MEETING October 13, 2010 Parowan, Utah

### MEMBERS IN ATTENDANCE

Commissioner Lois Bulloch, Chair  
Mayor Connie Robinson  
Alan Adams  
Commissioner Chad Johnson  
Lynn Harris for Mayor Mark Yardley  
Carolyn White  
Commissioner Maloy Dodds  
Gladys LeFevre  
Commissioner Douglas Heaton  
Mayor Nina Laycook  
Commissioner Denny Drake  
Kaden DeMille for Mayor Tom Hirschi  
LuAnne Forrest  
Wes Curtis  
Frank Lojko

### REPRESENTING

Iron County Commissioner Representative  
Iron County Mayor Representative  
Iron County Schools Representative  
Beaver County Commissioner Representative  
Beaver County Mayor Representative  
Beaver County Schools Representative  
Garfield County Commissioner Representative  
Garfield County Schools Representative  
Kane County Commissioner Representative  
Kane County Mayor Representative  
Washington Co. Commissioner Representative  
Washington Co. Mayor Representative  
Washington Co. Schools Representative  
Southern Utah University  
Dixie State College of Utah

### OTHERS IN ATTENDANCE

Marreen Casper  
Mike Empey  
Brad Cook  
Brennan Wood  
Ken Sizemore  
Darren Janes  
Diane Lamoreaux

Senator Hatch's Office  
Congressman Matheson's Office  
Provost Southern Utah University  
Cedar City/Iron County Economic Development  
Five County Association of Governments  
Five County Association of Governments  
Five County Association of Governments

### MEMBERS NOT IN ATTENDANCE

Mayor Lori Talbot, Excused  
Wendy Allan

Garfield County Mayor Representative  
Kane County Schools Representative

Commissioner Lois Bulloch, Chair, welcomed everyone in attendance. It was noted that Lynn Harris was representing Mayor Mark Yardley, Beaver County Mayor Representative and Kaden DeMille was representing Mayor Tom Hirschi, Washington County Mayor Representative. It was noted that Mayor Laycook, Kane County Mayor Representative, would be late due to traffic construction delays. Commissioner Maloy Dodds reported that Garfield County is in the process of selecting a new mayor representative.

### **I. MINUTES SEPTEMBER 8, 2010 AND AUGUST 11, 2010 - REVIEW & APPROVE**

Commissioner Lois Bulloch presented minutes of the September 8, 2010 and August 11, 2010 meetings for Board discussion and consideration.

**MOTION WAS MADE BY MS. CAROLYN WHITE, SECONDED BY COMMISSIONER DENNY DRAKE, TO APPROVE MINUTES OF THE SEPTEMBER 8, AND AUGUST 11, 2010 MEETINGS AS PRESENTED. MOTION CARRIED.**

## II. EXECUTIVE COMMITTEE ACTIONS

Mr. Sizemore noted that because a quorum was not in attendance at the September 8, 2010 meeting an Executive Committee electronic meeting was held via a conference call to take necessary action on items. The Executive Committee approved the following: **1) Out-of-State Travel Authorizations--** Travel authorizations for Gary Zabriskie, to attend Virgin River Watershed Stakeholders meetings in Mesquite, Nevada; Myron Lee, to attend the annual conference of the American Metropolitan Planning Organization (AMPO) scheduled October 19-22 in St. Louis, Missouri; and Curt Hutchings to attend the 2010 Annual Peer Learning Conference of the National Association of Development Organizations scheduled October 20-22 in St. Louis, Missouri; **2) Community Impact Board Applications--** Provided support of the Big Water application for town park improvements; **3) Planning Request--** Approved staff assistance for Milford City in updating their affordable housing plan; and **4) Areawide Clearinghouse Reviews--** Approved supportive staff recommendations for two A-95 reviews for the Kane County Water Conservancy District to purchase land for proposed roadways that are needed as part of the construction of the Jackson Flat Reservoir project and for Beaver County to lease land for a multi-phase solar array project. Actions were presented for Board ratification.

**MOTION WAS MADE BY COMMISSIONER DOUGLAS HEATON, SECONDED BY MR. ALAN ADAMS, TO RATIFY EXECUTIVE COMMITTEE ACTIONS AS OUTLINED. MOTION CARRIED.**

## III. ANNUAL REPORT AND FY 2010 FISCAL REPORT

Mr. Sizemore reported that as information is gathered for the annual report it reminds him of the vast amount of work accomplished by AOG staff. During the past fiscal year, three very seasoned employees retired, two program directors and one senior weatherization staff member. These departures resulted in new leadership assignments to Carrie Schonlaw and Gary Zabriskie, who are now serving on the management team. Sherrie Dial and Curt Hutchings now serve as program directors in the Community Action and Transportation programs.

Highlights for various programs were reviewed as follows: **1) Aging Services--** The trend for meals is shifting from congregate meals being served at the senior citizen centers to increased home delivered meals. Transportation services have increased, outreach calls have increased dramatically, and chore services have also increased over the past year. Information and assistance provided to elderly clients decreased slightly from last year; **2) Community Action Partnership--** This program has traditionally been called Human Services but has shifted to the Five County Community Action Partnership which provides support and resources for families to achieve self-sufficiency. Episodes of support service case management have increased dramatically. This is a result of having case managers in each of the food pantries. Distribution of food boxes has increased from last year while the pounds of food decreased a small amount. Commissioner Bulloch asked that statistics be collected to demonstrate whether having support services case management has been successful in assisting people to become more self-sufficient. The number of persons enrolled in the Utah Saves program doubled; **3) Child Care Resource and Referral--** This program covers an 11 county area including the six county region. Referrals increased from 700 to 1,000 this year and technical assistance remained the same. Training hours

increased to 820 and accounts for a large amount of staff time and effort in training 160 child care providers; **4) Community and Economic Development--** Planning highlights include the 5-year update of the Regional Natural Hazard Mitigation Plan and the beginning of work on a Scenic Byway Corridor Management Plan for SR-9 from LaVerkin through Zion National Park. Community Development Block Grant program funds were allocated to five projects in the region totaling \$856,333. There were 13 projects funded by the Utah Permanent Community Impact Fund Board totaling over \$9 million in a combination of loans and grants. The Revolving Loan Fund closed seven loans totaling \$439,000. Five County AOG staff administers the St. George City Down Payment Assistance program to income eligible households in St. George. There were 29 households assisted totaling \$283,775; **5) Home Energy Assistance Target (HEAT)--** A program designed to assist income eligible households meet the rising cost of home energy. This federally funded program was the recipient of additional American Recovery and Reinvestment Act (ARRA) funds and served over 5,060 clients over the past year. The program is year-round in Washington County allowing clients the choice of using funds in the winter or summer months; **6) In-Home and Community Based Aging and Adult Services--** Five County administers four programs including Medicaid Aging Waiver, State Alternatives, National Caregiver Support and New Choices Waiver. The Alternatives program served 65 clients, Medicaid Aging Waiver served 59 clients, Caregiver Support served 346 clients under five categories of service and the New Choices Waiver program served 102 clients in 14 assisted living facilities and one client was served at home. These programs are very successful and well received throughout the region; **7) Senior Corps and Volunteer Center Network--** One major event over the past year was Kane County's decision to assume administration of the Retired and Senior Volunteer Program in Kane County. As a result of encouragement from the Corporation for National and Community Service to clean house, new policies were established for the RSVP program which resulted in downsizing by several hundred volunteers. The Foster Grandparent and Senior Companion volunteers remained fairly level with numbers. Commissioner Maloy Dodds shared a story of volunteers in Panguitch who provided transportation to a person that had lost a kidney and required dialysis in Cedar City three days a week. Volunteers used their personal cars and paid all associated costs over the past five years. He noted it is very important that the value of volunteer service is never underestimated. Board members acknowledged that the amount of volunteer work provided through the region is amazing; **8) Transportation Planning--** This is becoming a bigger function in the Association and it is anticipated that this will continue to grow into the future. During the past year, Iron County received designation as a Rural Planning Organization (RPO) which is comprised of a Transportation Executive Council and a Technical Advisory Committee. There is also a Eastern Washington County RPO and the Dixie Metropolitan Planning Organization functioning under the Association of Governments. In addition, Kanab has been determined to be an emerging area. Commissioner Denny Drake commented that regulations imposed through the Clean Water Act by the Army Corps of Engineers have predicated that the Corps has regulatory rights over all streams and stream beds for all waters of the United States. Violation notices have been issued to the Utah Department of Transportation on the Southern Parkway. These actions will require additional work to address endangered species, archaeological, geological as well as other issues. It requires anyone wishing to alter a dry wash to obtain a permit from the Army Corps of Engineers. This has been accomplished with no law change through use of the Clean Water Act. Washington County has held several meetings with state legislators, Governor Herbert's staff and congressional delegation staff in this regard and is considering filing a law suit. This will impact all areas of the state of Utah and will have a detrimental effect at the county levels. It also includes private developers that may be crossing even a dry wash. Should jurisdictions proceed without a

permit, penalties include a \$50,000 fine and three years in jail. Board members agreed that this is a serious issue that needs attention at all levels; **9) Weatherization Program--** This program has also seen an influx of stimulus dollars. Additional work crew members have been hired to assume the increased work load, and 125 homes were weatherized during the past year.

Mr. Sizemore reported that the Association of Governments remained consistent in terms of assets, liabilities and funding which increased slightly from FY 2009. One change included more funds being lent out through the Revolving Loan Fund program. This is a positive indicator that the program is successful. Wes Curtis asked why this shift occurred. Mr. Sizemore responded that the shift is directly related to Darren Janes' efforts to increase interest in the program through direct visits with lending institutions. Even though loans have increased, a portion of the Economic Development Administration funding is still sequestered into a separate account. It is hoped that interest will continue to eventually achieve a zero balance. Several questions were previously raised by Board members in regard to some cost centers showing a negative balance. This is a result of managing 83 contracts covering various fiscal and program years. The report provides a snapshot as of June 30, 2010 and some accounts had a negative balance because funding requests were still outstanding. Salaries and fringe benefits account for 33% of the total budget, another 10% of the budget covered meal supplies for senior citizen centers, 10% covers materials and equipment for the weatherization program, approximately 15% is used for operational costs. During the past year, the server at the St. George office crashed which cost \$14,000 for new hardware and costs associated with setting up the new software. In order to cover expenses for close-out the Kane County Volunteer center account, a total of \$14,800 was taken from local dollars. These were two out-of-the-ordinary fiscal events. Annual allocations provided by counties totaling \$75,000 were used as follows: **1) Economic Development Administration Planning Grant--** Matching funds (\$48,000); **2) Community Services Block Grant Program--** Matching funds (\$2,500); **3) Administrative--** Funds used to cover administrative costs (\$3,000); **4) Senior Companion Program--** Shifted funds to cover cost overruns (\$5,000); and **5) Kane County Volunteer Center--** Funds to close-out this account (\$14,800). The balance was carried over as cash flow reserve.

A tribute to Mayor Janet Oldham, Panguitch City, from members of the Five County Association of Governments Steering Committee is included on the back page of the report. Mr. Sizemore expressed his appreciation to Board members and thanked them for the confidence and trust provided to Five County staff in carrying out operations and programs on behalf of the Steering Committee. He presented that report for Board consideration.

**MOTION WAS MADE BY COMMISSIONER CHAD JOHNSON, SECONDED BY MS. GLADYS LEFEVRE, TO ACCEPT THE ANNUAL REPORT AS PRESENTED. MOTION CARRIED.**

#### **IV. COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM**

##### **A. 1<sup>ST</sup> PUBLIC HEARING**

Chairman Bulloch entertained a motion to enter into the public hearing.

**MOTION WAS MADE BY MS. GLADYS LEFEVRE, SECONDED BY MS. CAROLYN WHITE, TO ENTER INTO THE COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) 1<sup>ST</sup> PUBLIC HEARING. MOTION CARRIED.**

Ms. Diane Lamoreaux reviewed background information regarding the CDBG program indicating that funding is provided from the U.S. Department of Housing and Urban Development to the State of Utah Small Cities CDBG program for allocation throughout the state. Allocations to each of the Association of Governments include a base amount of \$300,000 with the remaining funds distributed through use of formulas which utilizes the latest population data. St. George City receives funding directly from HUD as an entitlement community because their population has exceeded 50,000. National objectives of the CDBG program include: 1) Benefit to Low-Moderate Income; 2) Prevention or Elimination of Slum and Blight; and 3) Elimination of Immediate Threat to Health and Safety. One requirement of the program is for jurisdictions to conduct a public hearing to solicit input from interested citizens to consider potential projects.

Funding in the amount of \$856,333 was available for allocation in FY 2010 and it is anticipated that approximately \$800,000 will be available for FY 2011. It was noted that several projects were approved for multi-year project funding and another \$150,000 was approved during the June 9, 2010 Steering Committee for the Five County Association of Governments planning, administration and technical assistance. A remaining balance of about \$300,000 will be available for regional allocation.

Ms. Lamoreaux reviewed the range of eligible activities as construction of public works and facilities, including water and sewer lines, fire stations, acquisition of real property, provision of public services such as food banks or homeless shelters; and housing projects including infrastructure, new construction of multi-family housing and housing rehabilitation for low-moderate income homeowners. Other activities are identified in the CDBG application guide and interested persons can review these at any time. The guide is posted on the Division of Housing and Community Development website for viewing. The Five County AOG has received funding in the past for planning, administration and technical assistance to income eligible communities; funding to establish and recapitalize the Revolving Loan Fund; funding to establish a first time home buyer program through the Community Housing Development Organization; construction of the Five County AOG office in St. George; and funding to procure Meals-on-Wheels delivery trucks for the region. It was explained that projects benefitting low-moderate income individuals are preferred and that proposed activities that may result in displacement of low-moderate income individuals are discouraged. Previous elements of the Five County AOG application scope of work include the following: 1) Capitalize and administer the Revolving Loan Fund program; 2) Provide planning assistance to LMI eligible communities; 3) Provide program delivery for housing programs and the Revolving Loan Fund; 4) Prepare and update the Regional Consolidated Plan; and 5) Workforce/affordable housing assistance. Ms. Lamoreaux explained that AOG projects have historically been primarily of a "regional" nature. AOG staff will proceed with a scope of work for the regional planning, administration and technical assistance application.

Commissioner Bulloch solicited comments from the audience. No comments were provided. Board members were asked for comments and or suggestions for projects of regional significance and scope. No comments or suggestions were made.

**MOTION WAS MADE BY COMMISSIONER CHAD JOHNSON, SECONDED BY MAYOR CONNIE ROBINSON, TO CLOSE THE PUBLIC HEARING. MOTION CARRIED.**

**B. “RENOVATION” VS. “MAINTENANCE” DISCUSSION**

Ms. Lamoreaux referenced information contained on page 17 of the packet outlining the definition of public service provided in the “CDBG/NSP 2011 Application Policies and Procedures” published by the state of Utah Division of Housing and Community Development. Neither HUD or the state of Utah CDBG Policy Committee have defined “maintenance” expenses. State CDBG staff have deferred the determination of what constitutes maintenance to the Regional Review Committee (Steering Committee). She reviewed the Five County AOG staff opinion as follows: “Portions of a facility that have a limited life expectancy such as singles or other roofing materials; air conditioner compressors and/or heat pumps; flooring surfaces; aesthetic surfaces such as siding, stucco and paint; sidewalks; and similar items should be considered maintenance type items and planned for their eventual replacement.” It has been the longstanding position of the Association of Governments to fund projects that substantially rehabilitate public facilities and housing projects. Association staff has no real concerns with projects that substantially rehabilitate those facilities. Such projects typically involve structural improvements, major plumbing, electrical and space reconfiguration. Staff does have concern, however, that significant projects in the region would not be able to be accomplished in the future if funding begins to be directed towards projects that replace faulty building appurtenances whose obsolescence was predictable. AOG staff recommends that the RRC make a determination that facility operation and anticipated maintenance be the responsibility of the facility’s owner and not eligible for CDBG funding, as outlined above.

Commissioner Douglas Heaton commented that as communities plan and build facilities this should be considered. However, oftentimes it is difficult for many smaller communities to meet their obligations when multiple facilities are constructed and must be maintained. This typically results in tax increases to residents. Some Board members expressed concern that this type of policy would have a significant impact on jurisdictions, while many agreed that operation and maintenance costs should be taken into consideration as facilities are constructed. Mr. Sizemore mentioned that applicants for CDBG and CIB funding are cautioned that O&M expenses must be included in the jurisdiction’s future budgets to insure that facilities do not go into disrepair.

**MOTION WAS MADE BY MS. GLADYS LEFEVRE, SECONDED BY COMMISSIONER MALOY DODDS, TO APPROVE STAFF RECOMMENDATION FOR ITEMS CONSIDERED TO BE “MAINTENANCE” AS OUTLINED IN THE PACKET. MOTION CARRIED WITH ONE OPPOSED.**

**V. REVOLVING LOAN FUND PROGRAM**

**A. ANNUAL CERTIFICATION**

Mr. Sizemore referenced information contained on pages 18-21 and noted that EDA requires an annual certification of the program to assure that the Board is aware of what the program is accomplishing. Page 19 contains performance measures for the program as of August 31, 2010. Since the inception of the program in 1987, a total of 110 loans have been made for more than \$6.9 million to leverage an additional \$33 million in private sector funding. The average loan size is \$63,000 with an average interest rate of 6% and an average 7 year term. Funds have been allocated for fixed assets (59%) and working capital (41%) in startups, commercial operations, industrial operations, and technology based businesses. The loan portfolio contains 13 current loans, 74 paid off in full, two delinquent loans, three in default and 19 loans that were written off in part and/or full. During the last fiscal year, seven loans were closed which committed to create 44 new jobs. The program is well below the required \$15,000 per job requirement at \$6,270. Only \$626,832 (9%) of the amount lent has been written off over the life of the program. Mr. Sizemore requested Board action to authorize Commissioner Bulloch, Chairperson, to sign the resolution.

**MOTION WAS MADE BY COMMISSIONER MALOY DODDS, SECONDED BY COMMISSIONER DENNY DRAKE, AUTHORIZING THE CHAIR'S SIGNATURE ON THE RESOLUTION AS CONTAINED ON PAGE 21 OF THE PACKET. MOTION CARRIED.**

**B. RLF PLAN AMENDMENTS**

Darren Janes reviewed proposed RLF Plan amendments contained in the packet. The five year re-write of the RLF plan is a requirement of EDA. Some adjustments are recommended in terms of the board membership increasing the number of members from seven to nine. This change incorporates an additional representative from equity/investment and an additional Chamber of Commerce representative. Staff is also proposing to change the Steering Committee representative from the Chair to an appointed Steering Committee representative that would not necessarily be the chairperson. The second big change proposed is to increase the lending amount to public borrowers to \$250,000. An example of this funding would be a city applying for funds to support a business incubator. A previous project establishing a business incubator was funded to Panguitch City. This provides the opportunity to lend out funds from the RLF account and to provide additional opportunity to public borrowers. Lending of this type is fairly broad but it must provide economic development opportunity. Jurisdictions would be required to allocate a specific funding stream to repay the loan. The interest rate would be no less than 4% as per EDA requirements.

Commissioner Chad Johnson asked about having one signature on checks. Mr. Sizemore reported that this is because the Director of Community and Economic Development position was eliminated. Commissioner Lois Bulloch pointed out a number of formatting issues throughout the document need to be corrected. Wes Curtis identified problems on page 25 (low quality of life or high local taxes) that may need to be rephrased. He pointed out that barriers to economic development

have dramatically changed and staff should recognize that current conditions are only a cycle. Darren Janes responded that this information was taken from the Comprehensive Economic Development Strategy (CEDS) which received a substantial amount of input from local economic development professionals as well as the public. Staff will continue to develop plan revisions to address concerns discussed today and present another draft for Board review during the November 2010 meeting. The plan needs to be completed and submitted to EDA by February.

## **VI. SOUTHERN UTAH UNIVERSITY (SUU)**

### **A. REGIONAL SERVICES UPDATE**

Mr. Wes Curtis, SUU Government Relations and Regional Services, indicated that he would defer the regional services update and introduced Provost Brad Cook. He noted that Brad Cook has brought a vision and energy to make strategic changes at SUU, especially in academics.

### **B. ACADEMIC ROADMAP REVIEW**

Provost Cook reported that Southern Utah University takes their role very seriously in terms of economic development, job creation and workforce training. He noted that even in the current economic climate, the University has created nearly 40 new positions on campus and fall enrollment totaled 8,000 students. The University wants to provide resources to prepare students to be successful as citizens, professionals, stay at home leaders of the family, etc. Enrollment can grow to about 10,000 students to 2020 without additional state funding support and to approximately 12,000 students with state funding support. SUU and Dixie State College are working together to coordinate meetings to discuss common issues with school districts, ATC's, etc. in the Five County region. Meetings will be held twice on an annual basis, once at Dixie State College and once at SUU. This provides better coordination for enrollment, teachers, training needs, etc. The University has been very successful in obtaining grants of over \$10 million in terms of awards brought into the local economies. These projects are academic in nature but also contribute to economic development. He reviewed the academic core mission, "SUU will be nationally recognized as a premier institution of learning known for enabling its students to honor thought in all its finest forms, achieve excellence in their chosen field, and create positive change in the world." The academic mission is to provide a personalized, integrative, and experimental learning environment to prepare students to become fully engaged and productive members of society. Stakeholders have spent over a year developing this plan for implementation. The emphasis is to continue doing well what the University does well to provide value added employees to employers.

In order to fulfill its mission SUU will: 1) Emphasize excellence in learning designed to foster critical thinking, effective communication, lifelong intellectual curiosity, global awareness, personal responsibility and integrity; 2) Offer educational experiences typical of private universities with the affordability of public higher education; 3) Provide outstanding programs of study in the arts and sciences, pre-professional, professional, and graduate studies; 4) Contribute to state, regional and community needs as a social, cultural, and economic catalyst; and 5) Harness and

integrate our unique geographic location in the SUU educational experience. SUU utilizes outdoor labs to stimulate students to produce original works of art.

Commissioner Lois Bulloch mentioned that numerous alternative energy projects are coming on line in the region and training for these specific skills needs to be provided at colleges and universities. Wes Curtis explained that SUU has earmarked funds to build a Southern Utah Renewable Energy Center to train individuals for these types of jobs. In conjunction with this program, a mobile lab will be available to travel throughout the region. The University has also partnered with the ATC's and local high schools to provide training. Ms. Carolyn White noted that a lot of students drop out of college at around three months and wondered if there is a specific reason. Provost Cook responded that most students indicated they were dropping out for financial reasons, but it may also be attributed to students not being prepared in core academics of math and English. It is shocking to learn of the number of students that require remediation in these two areas. This may be attributed to the fact that students are not required to take these classes in their senior year or they may have completed a church mission prior to continuing their education. Commission Lois Bulloch thanked the University for their willingness to partner and cooperate with federal government agencies and counties to fund some very important activities and staff positions. Mr. Lynn Harris, Beaver City, commented that several of his children enrolled at SUU but had some very bad experiences with some of the professors, especially in English. His children transferred to other institutions of higher learning on the Wasatch Front because of what he would class as inappropriate educational matter and very liberal opinions of professors. Provost Cook asked that specific information in regard to this be provided via e-mail to [bradcook@suu.edu](mailto:bradcook@suu.edu). Commissioner Lois Bulloch reported that several of her grandchildren have also attended SUU and have provided criticism of some of the professors with the difficulty to understand them because of foreign accents. This has also been expressed numerous times by other faculty at the University. Ms. Carolyn White commented that her son graduated from SUU and had a very positive experience. However, her daughter transferred to Utah State University mainly to move further away from home. Commissioner Maloy Dodds explained that nine of his grandchildren have graduated from this institution, all are gainfully employed, and were very satisfied with SUU. Provost Cook mentioned that 100% of SUU students were accepted into medical school.

## **VII. DIXIE STATE COLLEGE UPDATE**

Mr. Frank Lojko, Dixie State College, reported that Senator Steve Urquhart is working with the Board of Regents for Dixie to become a regional university with open enrollment. Dixie State College continues to grow, is geared towards becoming a destination school, and is working to bring more international and minority students to campus. There are now 62 international students enrolled at the college. Work continues for approval of four additional programs this year to bring the total number of bachelor degree programs to 19. Dixie State College will be constructing the centennial Jeffery R. Holland building that will house student services, library and technology programs. Enrollment numbers are projected to double in the next 11 years. He reported that DocUtah, the international film festival, was very successful and will continue in upcoming years. The College has entered into a partnership with Stephen Wade to operate KCSG television. Dixie State College will be celebrating their 100<sup>th</sup> anniversary this entire year.

## **VIII. CONGRESSIONAL STAFF UPDATES**

Marreen Casper, Senator Hatch's Office, reported that congressional staff attended the meeting with the Army Corps of Engineers and is working with Washington County on this issue. Senator Hatch has met with the supervisor out of the Sacramento District in regard to the permitting issue and was assured that the supervisor would look at this issue. Senator Hatch held his annual women's conference this past Monday which remains to be very successful and well attended. The Senator signed on to a letter addressing funding for the Central Utah Project and a meeting has been requested with President Obama and Secretary Salazar to discuss this issue. Senator Hatch has also joined on to the "Feed America Day" which is held the Thursday before Thanksgiving asking Americans to make food donations to charities. He also joined with Western Senators effort to manage the gray wolf without federal endangered species status. This is a big issue in Wyoming and Idaho and will likely reach Utah in the future. Senator Hatch recently introduced immigration legislation aimed at addressing mass amnesty and strict enforcement of current laws.

Mike Empey, Congressman Matheson's Office, reported that Congressman Matheson is co-sponsor of House legislation to provide wolf management at the state level. He also sent a letter to the Environmental Protection Agency who has the same habit of making requirements without legislation. The one-size-fits-all approach has major impacts on small industry, farming and ranching. Congressman Matheson has also written a letter to the Army Corps of Engineering requesting attention to the permitting issues in Washington County. In addition, correspondence has been sent to Secretary Salazar in regard to land and water holdings. Work is continuing with the Natural Resource Conservation Service (NRCS) in regard to flooding issues in Kanab.

## **IX. LOCAL AFFAIRS**

### **A. CORRESPONDENCE**

Mr. Sizemore referenced correspondence on page 45 of the packet from the U.S. Census Bureau thanking the Association of Governments for partnering on the 2010 Census to achieve a complete and accurate count. He also showed a certificate of appreciation that will be displayed at the AOG office.

### **B. OUT-OF-STATE TRAVEL**

Mr. Sizemore reported that Darren Janes is requesting out-of-state travel authorization to attend training provided by the Economic Development Administration (EDA). The training will be conducted in St. Louis, Missouri on November 15-17, 2010. EDA has requested that Five County staff attend and funds are available to cover associated costs.

**MOTION WAS MADE BY COMMISSIONER MALOY DODDS, SECONDED BY COMMISSIONER CHAD JOHNSON, TO APPROVE OUT-OF-STATE TRAVEL FOR DARREN JANES AS PRESENTED. MOTION CARRIED.**

**C. PERMANENT COMMUNITY IMPACT FUND BOARD (PCIFB) APPLICATIONS**

Mr. Sizemore reviewed four CIB applications as follows: **1) Parowan City**-- Storm Drainage Master Plan totaling \$55,000 (½ grant); **2) Garfield County**-- Courthouse Renovation totaling \$4.6 million (\$700,000 grant); **3) Bryce Canyon City**-- Public Safety Building/Vehicles totaling \$1.8 million as a grant/loan; and **4) Ivins City**-- Historic Township Drainage/Road Improvements totaling \$3.6 million as a loan. The Board options are to support, not support, or not comment.

**MOTION WAS MADE BY COMMISSIONER CHAD JOHNSON, SECONDED BY MS. CAROLYN WHITE, TO SUPPORT ALL APPLICATIONS TO THE PERMANENT COMMUNITY IMPACT BOARD. MOTION CARRIED.**

**D. PLANNING ASSISTANCE**

None.

**E. OTHER BUSINESS**

None.

**X. AREAWIDE CLEARINGHOUSE REVIEWS**

No reviews received for consideration.

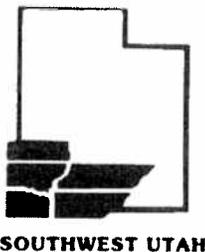
Mr. Sizemore indicated that because the November meeting will be the last meeting for Commissioner Maloy Dodds and Commissioner Lois Bulloch, a special luncheon will be held at noon prior to the 1:00 p.m. meeting. The meeting is scheduled for Wednesday, November 17, 2010 in St. George.

**MOTION TO ADJOURN WAS MADE BY COMMISSIONER MALOY DODDS, SECONDED BY MAYOR CONNIE ROBINSON.**

Meeting adjourned at 3:20 p.m.

# Five County Association of Governments

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St. George, Utah 84770



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## FIVE COUNTY ASSOCIATION OF GOVERNMENTS STEERING COMMITTEE ANNUAL MEETING SCHEDULE - 2011

Date	Location	Address	Time
<b>January 19, 2011</b>	Five County AOG Large Conference Room	1070 West 1600 South Bldg. B.; St. George, UT	1:00 p.m.
<b>February 9, 2011</b>	Kane County Courthouse Commission Chambers	76 North Main Street Kanab, UT	1:00 p.m.
<b>March 9, 2011</b>	Beaver Co. School District Office - Board Room	291 North Main Street Beaver, UT	1:00 p.m.
<b>April 20, 2011</b>	Parowan Public Library Meeting Room	16 South Main Street Parowan, UT	1:00 p.m.
<b>May 11, 2011</b>	Panguitch City Library Council Chambers	25 South 200 East Panguitch, UT	1:00 p.m.
<b>June 8, 2011</b>	Kane County Courthouse Commission Chambers	76 North Main Street Kanab, UT	1:00 p.m.
<b>August 10, 2011</b>	Panguitch City Library Council Chambers	25 South 200 East Panguitch, UT	1:00 p.m.
<b>September 21, 2011</b>	Beaver Co. School District Office - Board Room	291 North Main Street Beaver, UT	1:00 p.m.
<b>October 12, 2011</b>	Parowan Public Library Meeting Room	16 South Main Street Parowan, UT	1:00 p.m.
<b>November 16, 2011</b>	Five County AOG Large Conference Room	1070 West 1600 South Bldg. B.; St. George, UT	1:00 p.m.

The Executive Committee will meet in July and December and at any time, as called by the Chair of the Steering Committee. Notification of these meetings will be posted on the state of Utah public meeting notice website <http://www.utah.gov/pmn/index.html>

Any necessary changes in the above meeting schedule will be noted here and posted on the Utah Public Meeting Notice website.

**AGENDA ITEM # IV.**

**FIVE COUNTY ECONOMIC  
DEVELOPMENT DISTRICT**

**(SOUTHWESTERN UTAH)**

**REVOLVING LOAN FUND PLAN**

Adopted July 1987

Revised:

August 1989

September 1995

November 1995

January 1998

February 2006

XXXX 2010

This Plan was prepared by the Division of Community and Economic Development of the Five County Association of Governments pursuant to the Revolving Loan Fund Plan Guidelines promulgated by the U.S. Department of Commerce, Economic Development Administration.

**AGENDA ITEM # IV. (Continued)**

**FIVE COUNTY ECONOMIC DEVELOPMENT DISTRICT  
(SOUTHWESTERN UTAH)**

**REVOLVING LOAN FUND PLAN  
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**FIVE COUNTY ECONOMIC DEVELOPMENT DISTRICT  
(SOUTHWESTERN UTAH)**

**REVOLVING LOAN FUND PLAN**

**ADOPTED JULY 1987**

**REVISED  
AUGUST 1989  
SEPTEMBER 1995  
NOVEMBER 1995  
JANUARY 1998  
FEBRUARY 2006  
XXXX 2010**

**I. REVOLVING LOAN FUND STRATEGY**

**A. ECONOMIC ADJUSTMENT PROGRAM OVERVIEW**

**1. Economic Adjustment Problems**

Southwestern Utah exhibits a unique set of economic adjustment problems. Over the course of the past several decades, the region included both the fastest growing county in the state of Utah and the county with the highest unemployment rate in the state. Although the five counties of southwest Utah share common geographic boundaries, the economic make-up of the individual counties varies considerably. This being said, economic development programs include strategies for coping with rapid population and labor force growth, as well as methods to combat "boom and bust" cycles in resource-based economies.

During the past few years, southwestern Utah has experienced many of the same economic effects of the current national recession. The region's economies suffered job losses, home foreclosure activity, decreased construction activity, higher unemployment, and decreased tax revenue from sales, property and income.

The District Comprehensive Economic Development Strategy (CEDS) identifies the following problems and barriers to economic development:

- a. Distance from large consumer and business markets;
- b. Exporting our college graduates to other regions of the country;
- c. Low per capita income of district residents;
- d. Lack of investment or venture capital;
- e. Inadequate community facilities including access to advanced technology (i.e. high speed internet);
- f. Very limited public budgets to market and promote local economies.

The Five County Revolving Loan Fund is designed to address each of these barriers by increasing the capability of private sector small business operators to successfully develop long term, profitable business operations.

**2. Economic Adjustment Strategy Development**

The Revolving Loan Fund is an integral part of the community and economic development efforts of the Five County Association of Governments. The major economic problems addressed by the Revolving Loan Fund (RLF) include:

**Unemployment:** By creating new jobs and retaining existing jobs within the Five County area;

## **AGENDA ITEM # IV. (Continued)**

**Finance Gaps:** By filling the finance gaps experienced by local businesses;

**Start-up Capital:** By assisting high-potential start-up projects with seed capital;

**Investment:** By providing an incentive to businesses and financial institutions to invest in expansion and start-up projects;

**Diversification:** By initiating an effort to smooth-out the cyclical nature of the local economy and provide opportunities for economic stability and diversification.

Five County Association of Governments goals have varied only slightly over the years depending upon the composition of the governing board and the prevailing economic conditions. The District's current goals as stated in the most recent CEDS are as follows:

- \* Revolving Loan Fund marketing and administration across the region, rather than establishing other county or community-scale loan programs.
- \* Preparation of project-level Environmental Assessments within the capacity of available staff resources.
- \* Delivery of technical planning assistance regarding workforce housing design and construction.
- \* Development and delivery of up-to-date land use planning training modules.
- \* Author planning and feasibility studies for projects that transcend county or community boundaries as directed by the Steering Committee. Examples include scenic byway corridor management plans, regional hazard mitigation plans, and the regional Consolidated Plan.
- \* Maintain a dynamic and informative Internet web page.
- \* Continue to provide high quality grant writing and technical assistance to jurisdictions in southwestern Utah.
- \* Focus efforts on jurisdictions that do not have internal staff support to provide day-to-day economic development outreach.
- \* Add information to the Sure Sites program.
- \* Participate in regional and state-wide initiatives such as the Utah Economic Alliance, Governor's Rural Partnership Board, etc.
- \* Represent southwestern Utah interests at forums, such as: Western Region Workforce Services Council, Color Country RC&D Council, Color Country Travel Council, Heritage Highway 89 Alliance, Scenic Byway 12 Committee, Utah's Patchwork Parkway (Hwy 143) Committee, Grand Staircase-Escalante National Monument Advisory Committee, and County and community-level Economic Development Boards.
- \* Forge closer ties between economic development and public/higher education initiatives in the region.
- \* Champion regional projects that foster economic development, such as: extending commercial power capacity to Ticaboo/Bullfrog; providing IT/Broadband redundancy across the region; and, establishing access to land banking, secondary financing, and other activities that foster access to affordable workforce housing.

## **AGENDA ITEM # IV. (Continued)**

Five County Economic Development District  
Southwestern Utah  
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- \* Provide public lands planning expertise and capacity to local officials.

### **Past Goals and Policies Still in Effect**

- \* Encourage a business climate that will continue to attract diverse, non-polluting industries.
- \* Diversify the economic base so that adverse economic conditions affecting one industry will not significantly impact the local economy as a whole.
- \* Provide the types of employment that will stem out- migration and will stimulate re-migration.
- \* Develop the region's natural resources, especially timber, to the extent possible while encouraging the employment of local citizens and the establishment of permanent facilities which will increase the tax base.
- \* Retain the agricultural and grazing sectors as necessary elements of the region's economy.
- \* Continue to develop and expand the recreation and tourism industries.
- \* Utilize the movie industry to an advantage by encouraging the location of fixed facilities for movie production and hiring local residents to the maximum extent.
- \* Assist and encourage firms to locate in established industrial parks and areas that would use municipal services, transportation access, etc. Aggressively pursue the development of potential industrial parks/areas for the communities of Beaver, Kanab and Panguitch.
- \* Continue to increase manufacturing employment in the region.
- \* Continue support to Economic Development boards at local and regional levels to guide development actions and to insure policy input from elected officials and citizens.
- \* Provide an effective communications process among all boards and citizen groups in the region.
- \* Industrial development efforts in the region should be carefully coordinated to maximize related efforts and to eliminate duplication or unnecessary competition among boards or communities.
- \* Data collection and analysis must focus on review and reorganization of existing information when possible rather than wasting resources on new studies.

The Five County Comprehensive Economic Development Strategy (CEDS) is supervised by the Five County Association of Governments Steering Committee. The Steering Committee consists of a county commissioner, mayor and school board representative from each of the five counties in the region, along with representatives of the two higher education institutions in the region. This 17-member board oversees all policy development, and gives direction to the Executive Director in terms of the administrative direction of the agency. The Association of Governments was created by interlocal agreement in 1972 for the purpose of addressing issues which transcend the jurisdictional boundaries of the member cities, counties and school districts.

The Steering Committee utilizes ten advisory committees to provide specific recommendations for various programs operated by the agency. They include aging and nutrition services, caregivers, economic development,

## **AGENDA ITEM # IV. (Continued)**

Five County Economic Development District  
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emergency management, human services, natural resources, retired senior volunteers, child care, transportation, and the Revolving Loan Fund. Each of these committees provides suggestions which are incorporated into the CEDS. The Revolving Loan Fund is designed to meet the long term objectives listed above.

In 1995, the CEDS process was integrated into the Consolidated Planning process mandated by the U. S. Department of Housing and Urban Development. The consolidated planning process included outreach to all not for profit agencies in the region, a series of low income forums, and opportunities for the general public to comment at well-advertised public meetings. The CEDS has become the Economic Development element of the Consolidated Plan.

### **3. Management of the Adjustment Strategy**

The Steering Committee of the Association of Governments continues to manage and evaluate the success of the adjustment strategy, as a part of the CEDS process. The Executive Director has charged the Director of Community and Economic Development with the responsibility for the day-to-day management of the RLF program. The Director of Community and Economic Development reports the status of the RLF Program to the Steering Committee regularly. A formal annual review of the RLF Plan is undertaken as part of the required certification process.

### **B. BUSINESS DEVELOPMENT STRATEGY**

A major objective found in the Five County Association of Governments CEDS is to enhance business development. This objective states that the Economic Development District will seek to assist area businesses in securing necessary development financing in an effort to stimulate the local economy and create new permanent jobs. The Economic Development Administration Revolving Loan Fund is perfectly suited to address and achieve the above stated goals and objectives.

Other District objectives that will be addressed by this Plan include the following:

1. Seek to provide appropriate public and private financing to new and expanding businesses.
2. Encourage the expansion of existing businesses and industries.
3. Assist local business development groups and organizations with programs dealing with industrial attraction.
4. Seek to use local initiatives and public/private funding options to assist local businesses with expansion or start-up.
5. Encourage public and private coordination and cooperation.
6. Identify and help eliminate problems that tend to hinder local efforts to promote new economic development.

The Revolving Loan Fund (RLF) is utilized and coordinated with the existing economic adjustment activities that are being currently implemented within the District. Listed below are the three major adjustment programs being implemented and an explanation of how the RLF enhances these programs.

## **AGENDA ITEM # IV. (Continued)**

Five County Economic Development District  
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**Industrial Promotion Program:** The RLF provides an incentive to businesses and industries that desire to locate or expand into the area, and which need public financing. Of course, the RLF is not used to finance firms that will relocate jobs from another labor area.

**Job Training Program:** Job training funds can be used to train many of the workers that are employed by businesses and industries that utilize RLF funding.

**Utah Procurement Outreach Program:** Local companies that are successful in acquiring construction or services contracts can utilize RLF funding for their expansion needs.

### **C. DISTRICT FINANCING STRATEGY**

#### **1. Overview**

Discussions were held with the major banking institutions within the District to identify those problems which pose handicaps for local start-up and expanding businesses. Regional private sector lenders noted that two major factors limited traditional business lending in southwestern Utah. They were: 1) the lack of a well-developed manufacturing base upon which to base lending decisions; and 2) The seasonal nature of much of the economic base in outlying areas. This conservative attitude has not only stagnated development, but has also contributed to the area's economic decline. The bankers revealed that a 10 to 15 percent finance gap is more frequent than not for businesses needing expansion financing, and an even larger gap for start-up projects.

Because of the high risk involved, the lack of working capital financing represents a very large gap in local lending practices. Local banks are reluctant to lend money at fixed rates for longer terms, thus making it extremely difficult for new businesses to manage their expenses during start-up phases. As the RLF program has been implemented, this working capital gap has become even more apparent. The ability to subordinate RLF financing behind commercial lenders has allowed many local businesses to expand when typical commercial lending practices would not have accommodated their needs. The RLF will continue to be used to finance projects in need of working capital; and will be used to leverage necessary financing from local lending institutions. Of course the interest rates and terms on the RLF portion of most projects will be much more attractive than conventional financing, and will make the overall package more conducive to a business's ability to pay the debt service.

#### **2. Targeting Criteria**

RLF loans will be directed to Beaver, Garfield, Iron, Kane, and Washington counties. Consideration for assistance will be given to any new or expanding industry promising long-term growth potential and to help retain existing businesses.

Most of the RLF loans are subordinated to private sector lenders. By taking a subordinate position on collateral, private lenders are more willing to help with financing because their risks are reduced. In special cases, repayment of the principal may be deferred for up to, but not exceeding one (1) year. This would reduce the monthly payments for the borrower during the start-up or expansion phase. Loans providing working capital will also be made. This is one area where conventional financing sources are reluctant to participate. This type of gap financing program emphasizes the fact that the RLF is not intended to compete with local banks, but to provide an incentive for them to participate in worthy projects.

## **AGENDA ITEM # IV. (Continued)**

Five County Economic Development District  
Southwestern Utah  
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### 3. Long Term Impact

Based upon the historical performance of the RLF program in southwestern Utah, the following goals have been developed:

- a. Close at least 4 loans each year;
- b. Loan recipients will commit to the creation or retention of at least 42 jobs per year;
- c. The average loan size will remain at approximately \$62,000;
- d. At least 20 percent of the loans closed will be "technology based";
- e. The RLF will continue to emphasize manufacturing or industrial operations; and
- f. At least 50 percent of the loans closed will be private sector lender referrals.

## **D. RLF PORTFOLIO STANDARDS**

### 1. Mix of Business Types

Emphasis will be given to the creation and retention of basic industry occupations. Manufacturing and industrial operations tend to create greater numbers of jobs per site, with a higher hourly wage rate than other economic sectors. The relatively small amount of manufacturing employment in southwestern Utah demonstrates the need to provide assistance such as the RLF to that sector. For this reason, emphasis will be given to manufacturing or industrial operations.

Another important factor in the region is the fact that counties not traversed by I-15 do not have the same capability to attract a manufacturing base. For this reason, the RLF will be used to finance otherwise eligible applicants in any employment sector. The RLF Board must find that the community in which such a business is located exhibits signs of economic distress. Factors which may be used to document such economic distress may include, but are not limited to:

- a. unemployment rate;
- b. per capita income;
- c. sources of personal income;
- d. the mix of employment sectors; and
- e. the lack of a particular service offered by the applicant.

### 2. Private Investment Ratio

RLF financing participation in any project will amount to no more than 50 percent of the total project cost, leaving 50 percent to the borrower and/or the private sector lender/investor. For purposes of this plan, participation by a Certified Development Company, UTFC Financing Solutions, LLC, Small Business Administration, or any other public or quasi-public lender, will be allowed as part of the 50 percent injection, unless such programs are also using EDA funds in their portion of the financing. Projects that can leverage a larger portion of private sector dollars will be considered more favorably. The minimum amount of evidence required to show that the borrower was unsuccessful in obtaining all the necessary financing will be a letter from a private lender stating a willingness to fund up to 50 percent of the project--depending upon the percentage of the borrower's equity portion. The borrower in nearly all cases will be required to fund at least 10 percent of the total project cost. The overall RLF loan portfolio will maintain a private leverage ratio of two private dollars for every one RLF dollar lent.

## **AGENDA ITEM # IV. (Continued)**

Five County Economic Development District  
Southwestern Utah  
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### 3. Public Sector Borrowers

Most of the RLF loans will be made to private borrowers, however, a small percentage of the portfolio can be used by public bodies to construct buildings to house new or expanding industries or purchase the necessary land, etc.

Up to \$250,000 of the RLF portfolio can be borrowed by public bodies. This public use does not allow for speculative activity, such as, land banking and construction of speculative buildings. Immediate job creation or retention must be realized through any activity financed by the RLF.

### 4. Working Capital Mix

Because the major financing gap in southwestern Utah is working capital financing, up to 50 percent of available RLF funds may be used for adequately secured working capital loans. The remaining RLF funds will be used for fixed asset financing.

### 5. Cost Per Job Ratio

The RLF portfolio will continue to be operated to not exceed a \$15,000 cost per job ratio.

## **E. FINANCING POLICIES**

### 1. Interest Rates

All loans will be offered at fixed interest rates. Rates charged by the RLF are negotiable. As a general rule, interest rates will be no less than four (4.0) percentage points below the current money center prime rate quoted in the Wall Street Journal. In no case will the interest rate be less than four (4.0) percent for loans made with EDA or matching funds. Funds injected into the capital base independently of EDA may be used in deals which require interest rates lower than four (4.0) percent. If the base rates increase, the interest rate charged by the RLF for new loans will also increase to remain within four (4) percentage points of the base rates. Maximum rates may be set at current market rates established by private sector lenders for similar loans to qualified borrowers. The specific rate established for a particular loan is determined by an analysis of the cash flow of the business and the ability of the borrower to repay the debt.

### 2. Repayment Terms

Repayment of working capital loans will be required within three to five years. Most fixed asset loans will be repaid within five years. If the Loan Administration Board determines that a fixed asset borrower needs additional time to repay the loan and ensure success of the industry, then the repayment schedule may be extended for up to an additional five years. However, at the end of five years, an industry should have a track record that will enable it to refinance through private lending agencies and free RLF money for other loans. Payments of principal and accrued interest are based upon the calculation of daily interest and will be paid on a monthly basis beginning on the first day of the month after the loan is closed. On approval by the Loan Board, RLF principal payments may be delayed for a period not to exceed one year. Because RLF financing is designed to assist firms with special credit problems, special financing techniques may be required to meet credit needs of borrowers. These could include delaying the repayment of RLF principal for up to one (1) year, the subordination of the RLF collateral position to other loans made in connection with the project, and other special techniques the Loan Administration Board may discover to be suitable in extreme cases.

## **AGENDA ITEM # IV. (Continued)**

Five County Economic Development District  
Southwestern Utah  
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### 3. Collateral

Loans will be secured by all available assets. Loans for fixed assets will be secured by the items being purchased, plus additional security as may be deemed necessary by the Loan Administration Board. Fixed assets will be obtained as collateral whenever possible. For projects involving working capital loans, liens on inventory, accounts receivable, assignment of patents, licenses, and insurance may be allowed. Additional security will be provided with a corporate and/or personal guarantee from the principal owners. All loans will be required to provide adequate fire, extended coverage, liability and hazard insurance, and flood insurance if the business is located in a floodplain. Key Man life insurance may also be required, as determined by the Loan Administration Board. The participating bank and the RLF will be listed as beneficiaries.

### 4. Sources of Equity

The borrower is required to inject at least ten (10) percent of the project costs from equity sources. The most preferable means of injecting equity is cash. However, the Loan Administration Board may accept assets of a borrower, if the amount of assets is calculated by: 1) establishing the current working capital position of the borrower (current assets minus current liabilities); and 2) subtracting the amount of any existing liens on the assets. Only assets acquired in the nine month period preceding the loan application may be used in this calculation. These figures must come from an independent party such as a Certified Public Accountant or Small Business Development Center.

### 5. Loan Size

The maximum loan to any one borrower shall be no more than 25 percent of the RLF capital base. The RLF capital base is the amount of the original grant plus loan interest, account interest, penalties and fees collected minus administrative costs and losses. There is no minimum loan amount.

### 6. Loan Restructures

RLF loans which are restructured or refinanced through the RLF will require the borrower to pay another loan administration fee. Because restructuring requirements will differ in each case, the Loan Administration Board will determine the policies unique to each case. These may address extended payment periods and decreased or increased interest rates.

### 7. Loan Guarantees

The RLF may be used to guarantee loans of private lenders, but only after written approval has been given by the agency which provided the original grant funds from which the revolving funds originate. The request for approval of a loan guarantee will include:

- a. The maximum guarantee percentage which will be offered; and
- b. A detailed description of the terms to be incorporated into the guarantee agreement, including; (1) the maximum reserve requirement, (2) the rights and duties of each party with regards to loan collections, servicing, delinquencies and defaults, foreclosures, bankruptcies, collateral disposition, and call provisions, and (3) interest income and loan fees to accrue to the RLF.

## **AGENDA ITEM # IV. (Continued)**

Five County Economic Development District  
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### 8. Administrative Costs

Income generated by RLF operations may be used to pay administrative costs, as long as such costs conform to the current guidelines of the agency which provided the capital which generated the program income.

A loan origination fee of 1.5 percent will be charged to borrowers participating in the RLF. This fee will be used to cover administrative costs, including loan packaging, monitoring, reimbursement of costs to board members to attend meetings, and marketing the RLF. Any necessary revision of this fee will be determined by the board. If the loan is rejected, the balance of the fee that is not needed to cover actual administrative costs will be returned to the loan applicant.

## **F. RELATED ACTIVITIES**

### 1. Technical and Management Assistance

The Grantee provides a number of technical and management assistance to potential borrowers, which includes loan application packaging. A detailed analysis is made of the projections and expectations of the business and comparisons to national standards are drawn. All facets of future earnings and expenses are taken into consideration to provide a realistic idea of needs and a workable plan to meet those needs. After careful review, the Grantee may decline lending participation and notify the potential borrowers accordingly.

Once the loan has been approved, the Five County EDD staff will service the loan by monitoring the progress of the business. If problems develop, recommendations will be given regarding possible sources of assistance.

The constituent counties are included in marketing efforts conducted by the Five County EDD to attract new and expanding industries to the area. This marketing program utilizes direct mailing, promotional brochures, and advertising. These counties are also involved with job training, procurement outreach, and other economic development activities that will be important links to the RLF program.

### 2. Loan Packaging and Referral Services

Should applicants be ineligible or unable to obtain RLF financing, Five County EDD staff will assist interested applicants in initializing efforts (packaging, etc.) to obtain other financing. Referrals can be made to other organizations that are willing to assist with loan packaging as well. The Small Business Development Centers at Dixie State College and Southern Utah University are also very willing to assist business persons with their packaging needs.

### 3. Linking Jobs to the Long-Term Unemployed and Under-employed

Five County EDD staff work closely with the Utah Workforce Service Western Region Council in utilizing "on-the-job" and "customized" job training programs. The Five County District is the service delivery area for these training programs. These programs are active in the constituent counties and available to the RLF borrowers.

## **AGENDA ITEM # IV. (Continued)**

Five County Economic Development District  
Southwestern Utah  
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### **G. PERFORMANCE ASSESSMENT PROCESS**

#### **I. Periodic Review**

The RLF staff will prepare the following reports:

a. A monthly **RLF Summary Report**, which is a one page summary of the purpose, structure, account balance, and performance of the RLF in general. This report is designed to be distributed to prospective borrowers, lenders, and other interested individuals.

b. A monthly **Loan Status Report**, which indicates the status of each loan in the portfolio, including balance due and payment status. This report is presented to the Loan Administration Board at each meeting. Due to the sensitive nature of the information, this report is not distributed to the general public.

c. A monthly **Account Balance Report**, which shows the sources and uses of all capital and program income, by account. Each source of capital (EDA, CDBG, USDA Rural Development, etc.) is assigned to a separate account. This report is reviewed by the Loan Administration Board as requested.

d. A monthly **Administrative Costs Account Report**, which summarizes all uses of program income for administrative purposes. This is used by staff to prepare required agency progress reports, as well as the single audit of the Association of Governments.

e. A monthly **Loan Proceeds Distribution Report**, which shows the allocation of loan funds by borrower and account. This report is used by staff to prepare required agency progress reports.

f. A monthly **Lending Partners Payment Report**, which shows the amount of principal and interest collected and returned to lending partners in participating loan packages.

g. Monthly **financial and statistical reports** generated by the Revolving Loan Servicing Software (RLSS) system. These reports are used by staff to track RLF progress.

h. A quarterly **Program Income Report**, submitted to the Utah State Community Development Division, documenting the status of program income generated by CDBG capital in the RLF accounts.

i. An annual **Revolving Loan Fund Report**, submitted to the Economic Development Administration to document the status of capital and program income generated by EDA funds in the RLF accounts.

Information from the reports listed above will be used to develop an annual presentation for the Five County Association of Governments Steering Committee. The summary report is also included in the Annual Report of the Association.

The Association of Governments is also required to perform a Single Audit under the provisions of OMB Circular A-128. The RLF accounts are subject to review by the independent auditor, and are included in the single audit report. Copies of the audit reports are sent to each agency which has contributed to the RLF capital base.

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### 2. Plan Modification

The RLF Plan is required to be reviewed and certified annually as part of the reporting process to the Economic Development Administration. The RLF Plan will be reviewed by the Loan Administration Board and Steering Committee in September of each year. Any changes deemed necessary by the board members will be prepared by staff in September, and submitted, along with the required certifications to EDA in October.

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### **II. REVOLVING LOAN FUND OPERATIONAL PROCEDURES**

#### **A. ORGANIZATIONAL STRUCTURE**

##### **1. Overview**

Several area economic development efforts, including all five constituent counties, are performed by the Five County EDD. These efforts include: a marketing program designed to attract business expansions and new firms to the region; coordination of available sources of technical, financial, and other business assistance; research of potential growth industries that would be compatible with the resources of these counties; cooperation with other local economic development groups; participation in a regional tourism development program; and maintenance of demographic and resource information important to existing and potential business owners. Other development activities coordinated by the Five County EDD include on-the-job and customized training programs; utilization of all available grant programs; business management and development seminars; technical assistance to local jurisdictions and industrial development groups and participation in new industrial development efforts (i.e. business incubators, etc.).

##### **2. Loan Administration Board**

The RLF is administered by the Five County Loan Administration Board. The nine (9) member board is composed of the following:

- 2 Bankers
- 2 Business Owners/Managers
- 1 Utah Workforce Services Western Regional Council Representative
- 1 Five County Economic Development District Representative
- 1 Equity/Investment Representative
- 1 Chamber of Commerce Representative
- 1 County or Municipal Attorney

This board is responsible to the Five County Association of Governments Steering Committee. The members of the Board serving because of another affiliation remain on the Board for the duration of their terms of office in the related affiliation. Five County Loan Administration Board members serve for two-year terms. The terms are staggered so that two terms expire every two years. Members are appointed by the Steering Committee, and may be reappointed to additional terms. The Steering Committee may dismiss any Board member for cause. One reason for dismissal for cause is the absence of a member from three (3) consecutive meetings.

The Loan Administration Board selects a Chairperson and Vice-Chairperson annually. Five members shall constitute a quorum. Board members may delegate a proxy vote to the Executive Director of the Association of Governments, if required to conduct business. The Executive Director shall accept only one proxy vote at any meeting of the Board. The Board may also conduct business by electronic means, including, but not limited to conference telephone sessions, electronic mail, remote video transmissions, or facsimile transmissions at the pleasure of the Chairperson.

##### **3. Staff Functions**

The Loan Administration Board will utilize Five County Economic Development District staff to perform the following duties: package loans, monitoring and reporting, bookkeeping, make program and policy recommendations, use program criteria to analyze loans, determine potential economic benefits, market the RLF,

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submit required project reports and prepare board-directed research. The Executive Director and Director of Community and Economic Development serve the board performing programmatic services, and dealing directly with the applicants. These staff persons have experience and skills in business, finance, marketing, credit analysis, loan packaging, processing and servicing.

### **B. LOAN PROCESSING PROCEDURES**

The RLF has already received wide attention from the media within the area. The availability of the loan fund is incorporated into the regional marketing program conducted by the Five County EDD. This marketing program includes direct mail, presentations to civic and governmental organizations, advertising, news releases, and promotional brochures.

#### 1. Application Process

Potential borrowers must contact the Five County EDD before applying for a loan from the RLF. This consultation period allows staff to determine an applicant's eligibility for a loan, inform the applicant of program guidelines and procedures, and to provide the necessary loan application forms.

Loan applicants will be required to submit a list of documented information before the loan will be packaged and processed. The required information includes:

- a. Personal Financial Statements for any person with 20 percent or greater interest in the business;
- b. Balance Sheets, Profit and Loss Statements, Tax Returns, Accounts Receivable Aging, and Reconciliation of Net Worth for the last three years;
- c. Earnings projections for at least three years;
- d. Schedule of all existing debts;
- e. Summary business plan, including a history of the business and sources and uses of the financing requested;
- f. Statement of qualifications of all persons with a 20 percent or greater interest in the business;
- g. A list of any co-signers or guarantors, including personal financial statements;
- h. A Sources and Uses statement showing how RLF funds will be used, to include serial numbers and costs of equipment;
- I. A description of any previous bankruptcy, legal proceedings, affiliates, franchises, or other information which may affect the loan application; and
- j. A 1.5 percent loan administration fee.

#### 2. Staff Preparation

Once the application is complete, the staff develops a review and analysis of the loan application. The review process includes the following steps:

- a. Request a Credit Report

The Association of Governments has access to a nation-wide credit reporting service. Requests for reports are processed electronically via the Internet.

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### **b. Request Appraisal and Preliminary Title Reports**

In almost all cases, a private sector lender has required an appraisal. The staff will request a copy from the lender, with approval of the applicant. The staff will also request a preliminary title report from the same title company retained by the private lender.

### **c. Prepare an Environmental Review**

The staff will prepare a Description of Proposed Action and submit it to the state at the time of application. The Environmental Review Record will not be completed until the loan has been approved, in order to save time and processing costs in the event that the loan is denied. Every loan will be reviewed using the HUD process, with the exception that only CDBG funded loans will be submitted to the Utah State Division of Community Development for approval. In all cases, the environmental review record and decision will be in place prior to loan closing.

### **d. Collateral Schedules**

The staff will list all applicable security interests required to secure the RLF loan. Standard security instruments will include: 1) Trust Deeds for real property where the business will be operated; 2) Uniform Commercial Code (UCC-1) Financing Statements; and 3) Personal and Corporate Guarantees. The staff will recommend any additional security it determines may be required to adequately secure a loan.

### **e. Loan Write-up**

This analysis allows the staff to identify any major concerns, appropriately set recommended interest rates and terms, and document the public benefits of the loan.

### **f. Notification Process**

Once the information has been submitted and analyzed by the Five County EDD staff, the staff will investigate the application and shall recommend specific action to the Loan Administration Board within one month from the time it first comes to the Five County EDD staff. The Board will take official action on the application within sixty (60) days of the original application. The Loan Administration Board has final authority to approve, reject, or request modification of all applications. Loan applicants will be invited to review their application with the Loan Administration Board.

The staff will notify the applicant, in writing, within 5 working days of the decision. Loan Board decisions are valid for a period of six (6) months after Board approval. Any loan that is not closed within that period of time must be re-approved by the Board.

## **C. LOAN CLOSING AND DISBURSEMENT PROCEDURES**

The following documents will be required as part of the loan closing process. Each must be properly executed and notarized. The RLF staff has the responsibility to prepare the documents, obtain legal review, when needed, and to provide the documents for execution.

1. Cost Certification - Shows exactly how all financing sources will be used.
2. Promissory or Trust Deed Note - Establishes payment amounts and terms.
3. Trust Deed (s) - Perfects the security interest in the real property.

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4. Loan Agreement - Perfects programmatic requirements, including job creation targets.
5. Security Agreement and UCC-1 Form - Perfects the security interest in company assets.
6. Personal and/or Corporate Guarantees - Perfects a personal commitment to loan repayment.

Once the closing documents have been prepared, the staff will either schedule a closing at the AOG office, where all the documents are executed, or will send the documents to the applicant, who will be responsible for the proper execution of the documents. Once all documents are properly executed, a loan proceeds check will be prepared by the Executive Director. The check must be signed by the Executive Director. It can be given to the applicant at the loan closing, or may be placed in escrow, depending upon the arrangements negotiated with the other lenders involved.

After loan closing, the staff will file the following documents:

1. Trust Deed - to Title Company for recording.
2. UCC-1 Form - to Title Company for recording and to the state for filing.
3. Any other forms which require public recording.

Once the loan is closed, the following documents will be placed in the loan closing file. Original documents will be placed in a bank safe deposit box.

1. All documents executed at closing.
2. Title insurance policy.
3. Insurance certificates.

### **D. LOAN SERVICING PROCEDURES**

Five County Economic Development District staff will be responsible for monitoring and servicing RLF loans and providing or referring technical assistance to help assure the success of the borrower and the RLF. As the administrative agent, the Five County EDD will maintain all fiscal records of the RLF following acceptable accounting procedures. Amortization schedules will be kept on all loans concerning payments of principal and interest.

Upon the discretion of the Loan Administration Board, borrowers will be required to submit annual or semi-annual reports, during the life of the loan, indicating how all assurances agreed to upon application are being followed and that statements made in the application are true. Violations will be brought to the attention of the Loan Administration Board. Failure to follow the assurance or falsehoods will constitute grounds for recall of the loan. This report will also include profit and loss statements, balance sheets, modifications in operating procedures or projections, and the number of people employed. The staff will also maintain contact with the borrower as it deems necessary to assure compliance with the RLF Plan.

A borrower who becomes delinquent in repayment of the loan must issue a statement, in writing, to the Five County EDD staff explaining why repayment has been delayed. The delinquency will be noted on an aging schedule; notices of payment due will be issued if the staff feels it is necessary for the borrower to speak to the Loan Administration Board about the matter, and a meeting will be arranged. Repeated failure of the borrower to explain repayment delays will constitute grounds for recall of the loan.

If the borrower becomes delinquent on repayment of the loan and anticipates recurrence of delays, the Loan Administration Board will meet with the borrower to examine the possibility of restructuring the loan and

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whether this is a viable solution. The Loan Administration Board will consider the restructuring provisions found in the financing policies of this plan, or other methods, after consulting with the staff.

Upon default of a loan, the Loan Administration Board will obtain the portion of assets and other forms of security available to it for reimbursement of the loss. The attorney with whom the Board will contract for legal services shall be contacted to begin repossession of all available securities.

Any loan more than 90-days delinquent will be considered in default. Collection procedures will be instituted by the staff. The loan will be written off for all reporting processes when the staff determines that no other reasonable means of collecting the principal remain.

### **E. ADMINISTRATIVE PROCEDURES**

#### 1. Files Management

The following files will be kept for each loan closed:

- a. Application Materials
  - 1) Staff Summary Sheet
  - 2) Application Form
  - 3) Company Prospectus
  - 4) Personal and Business Financial Statements
  - 5) Principal's Statement of Qualifications
  - 6) Financial Analysis
  - 7) Bank Turndown Letter and other correspondence
  - 8) Minutes of Loan Administration Board actions
- b. Correspondence by date
- c. Exhibits
  - 1) Credit Reports
  - 2) Appraisal Reports
  - 3) Business Plans
  - 4) Tax Returns
  - 5) Business Reports and Prospectus
  - 6) Other applicable items
- d. Loan Write-up
- e. Environmental Review
  - 1) Environmental Certifying Officer Designation
  - 2) Description of Proposed Action
  - 3) Environmental Review Checklist
  - 4) Agency responses
  - 5) Findings
  - 6) State Clearance Letter
- f. Loan Closing
  - 1) Cost Certification

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- 2) Promissory or Trust Deed Note
  - 3) Trust Deed (s)
  - 4) Loan Agreement.
  - 5) Security Agreement and UCC-1 Form
  - 6) Personal and/or Corporate Guarantees
  - 7) Title insurance policy
  - 8) Insurance certificates
- g. Loan Monitoring
- 1) Most current financial statements
  - 2) Most current monitoring checklist
  - 3) Most current insurance certificate
  - 4) Family Size and Income Certification Forms
  - 5) Disbursement Verifications
2. Payment Tracking

The Five County EDD has procured the RLSS software developed by Grant Management Systems. This software tracks payments on a continual basis. Staff prepares a series of monthly reports using the RLSS software as a base. The files are backed up monthly.

### 3. Control Procedures

Internal control procedures have been established for the financial operation of the Association of Governments as a whole. The RLF operations conform to those internal controls. They include the following:

- a. Payments are received by the Management Services Coordinator and recorded
- b. The Executive Director deposits the funds
- c. The Accountant reconciles the bank statements
- d. The Director of Community and Economic Development prepares programmatic reports
- e. Both the Executive Director and Director of Community and Economic Development must sign checks
- f. The Director of Community and Economic Development performs monitoring visits and workouts

## **F. RECAPITALIZATION STRATEGY**

The RLF will be recapitalized through the repayment of principal and interest. Methods will be used to assure that RLF funds are repaid as quickly as possible so additional loans can be made. The goal of this RLF will be to make sure funds are loaned as often as possible and the money is kept busy creating jobs.

Principal and interest will be repaid to the RLF within three to ten years of each loan closing; however, repayment terms can be adjusted as deemed necessary. This money will be invested in interest-bearing accounts with participating lending institutions to be used for re-lending.

In order to accelerate recapitalization of the RLF, the sale of outstanding loans and private sector refinancing will be considered in order to have this money available for use with other loans. Attempts to solicit

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additional private contributions to the fund are a consideration of the Five County EDD. All contributions will be used solely for the purpose of lending to other RLF borrowers.

### **G. OTHER REQUIREMENTS**

#### **1. Civil Rights**

The Loan Administration Board will have the responsibility of assuring that no applicant is denied a loan on a basis of race, color, national origin, religion, handicap, or sex. Their efforts will be monitored by Five County EDD staff. The Revolving Loan Fund will be well publicized in area media, including radio and newspapers. It will be publicized and marketed so that minority business persons have the opportunity to participate in the program.

Five County EDD staff will have the responsibility of assuring that borrowers do not discriminate against employees or applicants for employment. Borrowers must sign assurances stating that they will not practice the previously mentioned forms of discrimination. The loan application also requires the submittal of an employment schedule showing current and projected employment data and descriptions of employment practices. Five County EDD staff is versed on federal, state, and local regulations regarding discrimination and will use these criteria when evaluating submission of employment data.

#### **2. Environment**

The environmental impact of each project will be assessed when considering loan approval and monitoring the borrower. The borrower must also sign assurances concerning environmental protection measures when making application. If there is the possibility of an adverse environmental impact, the project will receive an evaluation concerning the impact. Community Development Block Grant funding requires that an Environmental Review (or an Environmental Assessment, or EIS--depending upon the extent of the impact) be completed for each funded project.

Projects that will adversely affect the environment will either be rejected or be required to mitigate the impact. If a project would adversely impact floodplains, wetlands, significant historic or archaeological properties, drinking water resources, or non-renewable natural resources, and no mitigation is available or desired by the applicant, it will be rejected. All mitigation agreements will require the proper federal, state, and local clearances.

#### **3. Flood Hazard Insurance**

If the potential project is to be located in a floodplain, flood hazard insurance will be required. Required flood insurance is included in the list of submittal materials when applying for a loan.

#### **4. Access for the Handicapped**

If the RLF finances a construction project to which the public will have access, the structure will be accessible to the handicapped. This is included in the assurance statement signed by the loan applicant.

#### **5. Davis-Bacon**

Construction financed by the RLF will be required to meet requirements of the Davis-Bacon Act. Five County EDD staff will monitor each project accordingly in regard to this regulation.