

Town of East Montpelier Revolving Loan Advisory Committee

MEMORANDUM

To: East Montpelier Selectboard

From: Revolving Loan Advisory Committee

Date: June 8, 2018

Re: Status Update on Revolving Loan Fund and Recommendation to the Selectboard
Closeout Agreement #0197/96CA(12)

The town's Revolving Loan Advisory Committee (RLAC) met on June 1, 2018 and again on June 5, 2018 to evaluate the position of the revolving loan program - specifically, the status of the Closeout Agreement #0197/96CA(12) between the Town of East Montpelier and the Agency of Commerce and Community Development, and to decide on a path forward to recommend to the Selectboard.

Background: At a May 17, 2018 RLAC meeting, Laura Ranker of the Central Vermont Regional Planning Commission reviewed with the committee the Closeout Agreement between Vermont Community Development Program (VCDP, ACCD, or the "State") and the Town of East Montpelier regarding income generated by the Sandy Pines loan. It became apparent that the town was not in compliance with the terms of the Closeout Agreement because it did not have a written Policies and Procedures Plan (Plan). Such a Plan would detail the town's intention for use of the Program Income and other basic guidelines such as who is eligible to apply for a loan, loan terms, level of acceptable risk, etc. At that same meeting, EMSLI requested an extension for their 5-year grant agreement which will expire in December 2018.

The RLAC Chair consulted with Cassie Bell, our revolving loan's Grant Manager at ACCD. Cassie expressed concern about the lack of systems in place for administering and managing the revolving loan program and also stated that the town has not "revolved" the money sufficiently, including that it "has not expended an average annual disbursement to exceed at least 25% of the total balance over a three year period." The town receives on average gross receipts of 15k – 16k per year of which 50% is recaptured by the state per the conditions of the closeout agreement. Cassie also said that small towns rarely have the capacity to administer revolving loan funds which require lending and financial expertise and continued engagement. ACCD will initiate full recapture of the RLF moneys for the state in a three-month timeframe unless action is taken immediately by the town to address these issues.

The town's options are to: 1) Allow the state to recapture the money. 2) Turn over ownership and all obligations of the fund to a nonprofit community development organization (NCDO) and assign all existing loan/grants and the full fund balance to them. 3) Turn over (for a fee) administration and management of the fund to an NCDO but retain ownership and responsibility of the fund and use of the money for East Montpelier. 4) Comply with the terms of the Closeout Agreement by creating town systems to administer and manage the RLF internally. Option 3, although attractive, is not available because the loan balance is too small to be viable to NCDOs. Options 1 and 2 relinquish control and ownership of the funds to the state or other entity. After significant discussion of the costs, benefits, and responsibilities of

those options and the history of the committee, the RLAC unanimously decided to recommend Option 4 to the Selectboard.

RLAC Recommendation to the Selectboard: Retain town control and ownership of the fund by creating a timeline for action and systems that comply with the terms of the Closeout Agreement and general provisions of Revolving Loan Fund programs. If agreeable to the Selectboard, the RLAC will begin drafting the Policies and Procedures Plan and other necessary documents and guidelines that will guide the town's RLF program moving forward. RLAC intends to gain approval and adoption by the Selectboard in September. Once approved by the Selectboard, these policies and procedures and associated application and lending documents will be provided to the VCDP staff for acceptance as required by the Closeout Agreement. The Town will have ongoing reporting requirements to VCDP for the life of the fund that must be fulfilled in a timely manner. The town must remain in compliance with the conditions of the Closeout Agreement. A copy of said agreement is attached to this memo.

The RLAC has communicated with the state of its intentions as noted in the attached memo which the Selectboard is copied on.

We look forward to meeting with the Selectboard to discuss this further.