

MONTEREY COUNTY

ECONOMIC DEVELOPMENT DEPARTMENT



David L. Spaur, Director

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_____, 2016

Mr. A. Leonard Smith
Regional Director
US Department of Commerce
Economic Development Administration
915 Second Ave, Room 1890
Seattle, WA 98174

RE:

EDA Award Numbers 07-39-03105 and 07-49-02640.01

Dear Mr. Smith;

As authorized by the Board of Supervisors of Monterey County, I am writing to advise that the County of Monterey has recently made a deposit to the capital portion of the RLF in the amount of \$150,620.37, thereby increasing the amount of RFL Capital available for lending. Enclosed is a deposit receipt, verifying the transaction. Statements for all accounts holding RLF cash will be submitted with the March 31, 2016 Semi-Annual Report and will further document this deposit.

This issue came to light while the County was working with EDA to consolidate the above referenced EDA awards and to replace the State Community Development Block Grant (CDBG) funds originally used as local match. With the transfer of the funds specified above, the RLF Capital issue is fully resolved. We thank you for your cooperation and assistance in addressing this issue.

Going forward, the County has restricted, by contract, the source of funds available to pay administrative costs. That is, the County of Monterey modified its contract with the program administrator it retained to manage the SBRLF program. The contract limits compensation of the SBRLF program administrator to income derived from payment of loan fees and loan interest. This change ensures that RLF Capital will not be used for administrative costs, consistent with SBRLF program requirements.

In addition, the County has long had internal controls to account for the RLF assets, as demonstrated by the fact that there have been no findings related to the RLF in the County's Annual Single Audit. The County regularly reconciles individual bank statements to accurately

record financial transactions in the County's financial management system and it reconciles bank statements to the quarterly CDBG Program Income Report and the EDA Semi-Annual Report. Collectively, these efforts will ensure that reported RLF Capital is fully available for lending.

We further observe that the County has worked diligently with EDA representatives to simplify management of the RLF by consolidating its two EDA awards and by replacing CDBG funds with other County local funds. We believe that streamlining the RLF in this manner will enhance program management and will promote the County's ability to make small business loans and grow the local County economy. Again, EDA's assistance in working towards these goals is appreciated.

Pending EDA approval to consolidate the two awards the County will continue to maintain five separate accounts for all RLF cash. The accounts, their associated EDA awards and account purpose are summarized below.

EDA Award 07-39-03105	
Rabobank 0066015924	Lending account and receipt of payments
Rabobank 081928427	Sequestration account
EDA Award 07-49-02640.01	
Rabobank 0066015928	Lending account and receipt of payments
Rabobank 6776136013	Sequestration account
Treasury Investment #11961	Sequestration account for CDBG funds

Based on the actions taken to date, we believe Monterey County continues to be a good steward of RLF funds. Based on the increased demand for small business loans we have seen, we also believe the RLF has an important role to play in the County's economic development program.

Please contact me if you have any questions about the County's SBRLF program.

Sincerely,

Dave Spaur
Director
Monterey County Economic Development Department

Encls. _[name] deposit receipt, dated _____