



Monterey County

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Board Report

Legistar File Number: 15-1305

December 15, 2015

Introduced: 11/25/2015

Current Status: Agenda Ready

Version: 1

Matter Type: General Agenda Item

- a. Approve the Small Business Revolving Loan Fund Administrative Manual, including a new collections policy (requires 4/5ths vote);
- b. Authorize the Director of the Economic Development Department to submit the Small Business Revolving Loan Fund Administrative Manual to the U.S. Department of Commerce, Economic Development Administration for approval, including authority to make minor changes, as necessary, to implement the loan program and comply with federal requirements; and,
- c. Authorize the Director of Economic Development to sign a professional services agreement with Credit Consulting Services, Inc., to provide collections services in connection with defaulted small business loans

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve the Small Business Revolving Loan Fund Administrative Manual, including a new collections policy (requires 4/5ths vote);
- b. Authorize the Director of the Economic Development Department to submit the Small Business Revolving Loan Fund Administrative Manual to the U.S. Department of Commerce, Economic Development Administration for approval, including authority to make minor changes, as necessary, to implement the loan program and comply with federal requirements; and,
- c. Authorize the Director of Economic Development to sign a professional services agreement with Credit Consulting Services, Inc., to provide collections services in connection with defaulted small business loans

SUMMARY:

The recommended actions are necessary to comply with federal grant regulations governing the County's Small Business Revolving Loan Fund (SBRLF), and to improve the operational efficiency of the SBRLF. The County is required by federal law to update its SBRLF Administrative Manual at least once every five years. The recommended SBRLF Administrative Manual will implement a new policy for collecting from borrowers who default on their obligations. It is also recommended that the Board approve a contract retaining a professional collections agency to assist in bringing delinquent loans current, and thereby maximize the amount of SBRLF funds available to loan to additional businesses.

DISCUSSION:

The County has operated the SBRLF since 1990. The SBRLF is designed to bolster job creation and retention by providing capital to small and start-up businesses that cannot obtain conventional financing or financing on terms that make their business plans feasible. Since the time the County funded its first loan, the SBRLF has provided more than \$9.28 million in

financing to more than 120 small businesses and supported the creation or retention of almost 1,100 jobs.

Management of the SBRLF is detailed in the Monterey County Small Business Revolving Loan Fund Administrative Manual, submitted for the Board's approval. The first part of the Administrative Manual describes local economic conditions, demand for the program, and how the SBRLF will assist local businesses. The second part of the Administrative Manual describes the loan underwriting process and how approved loans will be monitored.

The Administrative Manual recommended to the Board of Supervisors would implement new collections procedures on defaulted loans. California Government Code Section 26220, authorizes the Board of Supervisors, by four-fifths vote, to assign County debts and money judgments for purposes of collection "under any terms and conditions that the board may prescribe" 30 days after they become due. If approved, Part II, Section 3.3 of the Administrative Manual would authorize the Director of Economic Development to refer seriously delinquent loans (more than 90-days since the last payment) to a collections agency when specific criteria are met. Under the new collections procedure, authority to initiate litigation to collect on defaulted loans, or to write off delinquent loans as uncollectible, remains with the Board of Supervisors.


The Board is also asked to approve a standard County professional services agreement with Credit Consulting Services, Inc. (CCS), which will assist with collection of loans delinquent for more than 90 days, upon referral by the Director of the Economic Development Department. CCS was chosen through the County's competitive Request for Proposals process and will be compensated based on its rate of recovery. CCS currently provides collections services for the County Health Department and Natividad Medical Center.

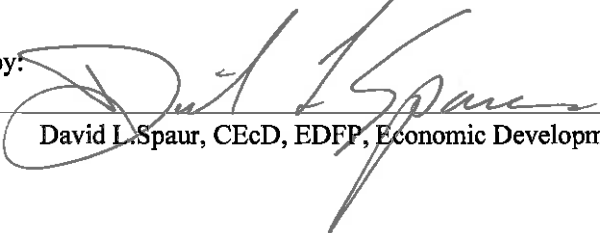
OTHER AGENCY INVOLVEMENT:

County Counsel has reviewed and approved the SBRLF Administrative Manual and the standard County professional services agreement with CCS as to form.

FINANCING:

There is no impact on the General Fund from approval of the SBRLF Administrative Manual, including the collections policy or from entering into an agreement with CCS for collections services. The cost associated with staffing the Small Business Revolving Loan Fund is already funded in Fund 001, Unit 8221, Appropriation Unit DEO001. The cost of all lending activities, including the Program Administrator, has been budgeted in Fund 011, Unit 8044, Appropriation Unit DEO020 for the current FY 15/16. CCS compensation will come from recovered loan funds. The cost of the external Program Administrator is paid for by interest and fees paid by borrowers.

Prepared by: 
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Approved by: 
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Attachments:
Credit Consulting Services Agreement
SBRLF Administrative Manual - 2015-12-15
(Attachments are on file with the Clerk of the Board)