

**Economic Development
Revolving Loan Fund Board
January 20, 2023**

PUBLIC MEETING

9:00 a.m.
Room 105
120 East 8th Street
Anderson, IN 46016

BOARD MEMBERS

Jennifer Hall, Bankable
Christy Smith, FMB
Rob Sparks, CED
Greg Winkler, Economic Development
Doug Whitham, Controller's office
Trent Dowling, STAR Bank
Jan Davis, Key Bank

STAFF MEMBERS

Mike Austin, *RLF Attorney*
Karen Soetenga, COA ED

CALL MEETING TO ORDER

Item #1: Minutes

Ms. Soetenga called for a motion to accept the meeting minutes for January 10, 2023. Mr. Whitham made a motion to accept January 10, 2023 minutes as presented and Mr. Dowling seconded. Motion passed unanimously.

Item #2: Consideration of Anderson RLF Plan changes

Ms. Soetenga briefed members on the process of reviewing the Anderson Revolving Loan Fund Plan in light of the recent defederalizing of the Anderson funds bringing more latitude. Ms. Soetenga stated the Board became aware of a RLF applicant that may benefit greatly in cash flow, sustainability and the repayment of debt if the fund was allowed to refinance business debt. Ms. Soetenga informed members the parameters and viability of such a change is the main focus of the meeting. Discussion followed. Mr. Dowling stated the fund could benefit from flexibility if it makes sense regarding work cash flow, it's good for the business and it meets RLF loan criteria. Mr. Whitham stated the reduction of risk would enhance everyone's position. Discussion followed.

Ms. Smith stated the Small Business Administration's criteria for refinancing is a 20% improvement in cash flow and the debt be unreasonable. Mr. Sparks stated there needs to be an equal opportunity for anyone that walks through the door. Discussion followed. Mr. Dowling stated language that included reduction of risk, unreasonable debt and significant cash flow improvement makes sense. Discussion followed. Ms. Smith stated First Merchants Bank has in its refinancing documentation that no additional debt may be incurred without bank approval. Mr. Dowling stated in the case of refinancing all tangible collateral should be tied up. Discussion followed. A consensus was reached to place in refinancing loans a clause that states additional debt may not be incurred without RLF Board approval. Discussion followed. Mr. Austin stated on page 8 as part of number 3b "refinance existing debt" could be removed as an exclusion and "c" added permitting a loan for the reduction of debt when the debt is unreasonable, cash flow is significantly improved and there is a reduction of risk.

Ms. Soetenga stated the RLF Plan document was created for securing a grant and contains content unrelated to policy and oversight. Ms. Soetenga stated the most sense for the document, now that we are defederalized, is to primarily address policy and oversight and much of the history and narrative as to why it exists be taken out. Brief discussion followed.

Ms. Soetenga informed members number 2 on page 3 dealing with the minimum blended loan amount of \$30,000 could be reviewed as there are a number of businesses that need less than that amount and more flexibility may be needed. Ms. Davis asked how job creation would be handled in the case of smaller loans. Ms. Soetenga stated job creation is another area where more flexibility could be provided. Discussion followed. Mr. Sparks stated it always seemed problematic that the Board may have a business desiring to

access funds that is struggling and by placing the weight of additional job creation only furthers their struggle. Mr. Dowling stated in that case job retention is taking place even if for the business owners themselves. Mr. Sparks stated the reporting of employee numbers is still important to monitor how they are doing. Mr. Austin stated generally the requirements are good, but really aren't enforceable. Discussion followed.

Mr. Austin briefed members on the two year balloon requirement and questioned if it is necessary. Mr. Whitham stated it allows for review of the loan. Mr. Dowling stated there could be a call feature built in if the loan deteriorates. Ms. Soetenga stated the 2 year balloon currently also provides for an interest rate adjustment, 75% of prime. Ms. Smith stated First Merchants bank does a reprice (rate adjustment) periodically. Discussion followed. Mr. Winkler stated if the Board is going to continue to help folks, we have to have the ability to adjust the rate; if adjustments are done by risk it brings an element of subjectivity. Ms. Hall stated the rate should stay close to the banks so 75% of prime makes sense. A consensus was reached to move to a rate adjustment every three years instead of the loan ballooning every two years with a right to call the loan in the case of distress. Discussion followed.

Ms. Soetenga stated page 17 and 18 of the current Plan call for the submission of several federal documents which will need to be reviewed at the next meeting. Ms. Soetenga stated she will bring recommendations for replacements.

Meeting was adjourned at 9:53 am.
Minutes submitted by Karen Soetenga