



Part I: Revolving Loan Fund Strategy

Summary of the San Diego County Comprehensive Economic Development Strategy (CEDS)

The Empower East County Business Fund project, including its Revolving Loan Fund and the technical assistance provided by the East County Economic Development Council Foundation as a Small Business Development Center, is designed to align with and support several key objectives of the regional Comprehensive Economic Development Strategy for San Diego County.

1. Support Talent Development for San Diegans of All Backgrounds

- **Objective 1:** The project addresses barriers to work by providing financial resources and technical assistance to entrepreneurs, particularly from disadvantaged populations. This support facilitates "learn and earn" opportunities through small business growth.
- **Objective 2:** By connecting entrepreneurs to resources and training, the project aligns with initiatives like Advancing San Diego, fostering engagement with the region's innovation economy.
- **Objective 3:** The project collaborates with community-based organizations and educational institutions to enhance career navigation and training accessibility for key populations, including refugees.

2. Increase Economic Opportunities for Underserved Communities, Populations, and Areas within San Diego County

- **Objective 1:** The RLF aims to increase economic opportunities near existing population centers by supporting small businesses in areas with limited access to capital.
- **Objective 2:** The project assists in attracting private investment in underserved areas, including Opportunity Zones, by providing capital and support to local businesses.

3. Foster Local Business Growth and Entrepreneurship

- **Objective 1:** The ECEDCF's SBDC technical assistance, combined with the RLF, invests in diverse entrepreneurs by offering both capital and knowledge resources.
- **Objective 2:** Leveraging community-based organizations to increase awareness and usage of SBDC programs, the project enhances the entrepreneurial ecosystem in the county.
- **Objective 4:** The project informs regional small businesses about upcoming infrastructure investments and opportunities, supporting a more informed and prepared business community.

4. Support the Growth & Resilience of San Diego County's Innovation Economy

- **Objective 5:** The project prioritizes investments to expand technology enablement in small and emerging businesses, encouraging innovation and productivity.



5. Support the growth of high-quality, sustainable jobs

- **Objective 2:** The project invests in programs that support employment opportunities with sustainable wages, enabling residents to thrive in the county.

6. Facilitate Investment in Regional Infrastructure

- **Objective 1:** The human and organizational infrastructure developed through the project underpins the county's economic activity and support services.

The Empower East County Business Fund project, through its RLF and SBDC technical assistance, is strategically aligned with the regional CEDS, addressing critical areas such as talent development, economic opportunities in underserved areas, local business growth, and the innovation economy. This alignment ensures that the project not only contributes to the immediate financial needs of small businesses in East County San Diego but also supports broader economic development goals and fosters a resilient, diverse, and sustainable economic environment in the region.

Referenced objectives for San Diego County CEDS can be found here:

<https://www.sandiegocounty.gov/content/dam/sdc/cao/osia/docs/SanDiegoCountyCEDSSept2022.pdf>

Financing Strategy

The financing strategy, policy, and portfolio standards for the Empower East County Business Fund, managed by the East County Economic Development Council Foundation are designed to ensure the effective and sustainable operation of the Revolving Loan Fund. These elements are crucial for guiding the fund's lending activities and maintaining a healthy loan portfolio.

1. Diverse Source of Capital:

- The RLF will be capitalized through a combination of federal funding, contributions from local governments (Santee, El Cajon, La Mesa, and Lemon Grove), and potential future investments from ECEDCF's 12 local banking partners and other entities like Civic Community Partners.
- The strategy includes reinvesting loan repayments back into the fund to maintain a steady flow of capital for future lending.

2. Targeted Lending:

- Focus on providing loans to small businesses in East County San Diego, especially those unable to access traditional financing, such as minority-owned, women-owned, and refugee-owned businesses.
- Emphasis on sectors like retail, services, light manufacturing, and technology startups.

Policy

1. Loan Eligibility Criteria:

- Set clear guidelines on eligibility, prioritizing businesses that demonstrate potential for growth and job creation but lack access to traditional credit sources.



- Include specific criteria addressing creditworthiness, business viability, and potential economic impact.
2. **Loan Terms and Conditions:**
 - Offer flexible terms and conditions, including competitive interest rates and repayment terms, tailored to the needs and capacities of small businesses.
 - Implement risk management practices, such as requiring collateral where appropriate, to safeguard the fund's assets.
 3. **Compliance and Regulatory Adherence:**
 - Ensure all lending activities comply with relevant federal, state, and local regulations.
 - Regularly review and update policies to align with best practices and legal requirements.

Portfolio Standards

1. **Risk Management:**
 - Establish a diversified loan portfolio to mitigate risk, avoiding over-concentration in any single business sector or borrower.
 - Regularly monitor and evaluate the loan portfolio's performance, making adjustments as needed.
2. **Performance Metrics:**
 - Set clear performance metrics, including targets for loan disbursement, repayment rates, and impacts like job creation and business growth.
 - Use these metrics to continually assess the effectiveness of the RLF and make data-driven decisions.
3. **Technical Assistance Integration:**
 - Incorporate technical assistance from ECEDCF's SBDC into the lending process, providing borrowers with support in areas like business planning and financial management.
 - This integration aims to enhance the success rates of borrowers and, by extension, the health of the loan portfolio.

The RLF's financing strategy, policy, and portfolio standards are designed to create a sustainable and impactful lending program that supports the economic development of East County San Diego. By balancing the need for flexible and accessible financing for underserved businesses with robust risk management and performance monitoring, the ECEDCF aims to maintain a healthy and effective Revolving Loan Fund.

Part II: Operational Procedures

This section of the Revolving Loan Fund Plan serves as the internal operating manual for the East County Economic Development Council Foundation, outlining the administrative procedures for operating the RLF in alignment with "Prudent Lending Practices."



Loan Processing and Documentation

Loan Application and Review Process:

- Applicants submit loan applications through an online platform or in-person.
- Applications are reviewed for completeness and initial eligibility.
- Further documentation (e.g., business plans, financial statements) is requested as necessary.

Documentation Requirements:

- Standard loan documentation includes business and financial plans, credit reports, and collateral descriptions.
- Secure handling of all personal and financial information is ensured.

Prudent Lending Practices

Loan Underwriting and Approval:

- Loans are underwritten based on business viability, creditworthiness, collateral, and owner equity.
- A loan committee reviews and approves loans, ensuring fair and unbiased decision-making.

Collections, Servicing, and Recovery:

- Implement a systematic approach for loan servicing, including payment tracking and borrower communication.
- In case of delinquencies, a structured collections process is followed, adhering to legal and ethical standards.

Environmental Review and Compliance

Pre-Loan Environmental Review:

- Conduct environmental impact assessments for each loan proposal.
- Ensure compliance with applicable environmental laws and regulations.

Compliance with Environmental Laws:

- Include environmental compliance clauses in all loan agreements.
- Regularly update procedures to align with current environmental laws and regulations.

Conflict of Interest

Conflict of Interest Policy:

- Maintain a strict conflict of interest policy for all staff, board members, and loan committee members.
- Require regular disclosure and training to prevent any conflicts of interest.

Commercial Loan Portfolio Management

Loan Monitoring and Management:

- Implement ongoing monitoring of loan recipients' business performance.
- Utilize financial health indicators, job creation metrics, and business growth for assessment.

Foreclosure Procedures:



- Establish clear procedures for handling foreclosures, ensuring legal compliance and fairness.

Accountability and Asset Safeguarding

Internal Controls and Compliance:

- Implement robust internal controls for financial management.
- Ensure compliance with all federal, state, and local laws relevant to RLF operations.

Safeguarding of Assets:

- Conduct regular audits and financial reporting to safeguard assets.
- Implement checks and balances to prevent fraud and misuse of funds.

This operational procedure plan for the RLF of ECEDCF demonstrates a comprehensive understanding of commercial loan portfolio management, including prudent lending practices, environmental compliance, and conflict of interest prevention. The plan aligns with the regional CEDS, EDA policies, and ensures accountability and safeguarding of assets, thereby fulfilling the criteria set by the EDA for the evaluation of RLF plans. The RLF plan will follow all laws and regulations consistent with “Prudent Lending Practices,” as defined in [§ 307.8](#), additionally the RLF plan’s environmental review and compliance procedures will follow all laws and regulations as set out in [§ 307.10](#), and EDA's conflicts of interest rules set out in [§ 302.17](#).