

CITY OF SALINAS

Productivity Bank

Draft Plan – Presentation to the Finance Committee



May 6, 2019



Salinas Productivity Bank

- Purpose: One-time seed money to save costs or increase revenue
- Revolving Loans
- Paid back in 5 years
- Interest rate = LAIF
- \$500,000 in FY 2020
- Approved loans will be added to departments budget or added to a CIP

Eligible Projects

- No other funding available
- Not jeopardize normal service levels
- Savings and revenue achieved are sufficient to repay the loan plus interest within 5 years

Loan Committee

- Bank Loan Review Committee – Seven members
 - a. One Department Director or ACM, other than the Finance Director
 - b. Three exempt employees, other than Department Directors or ACM
 - c. Three non-exempt employees
- Majority vote of quorum members present
- Meet as needed to conduct business, but not less than two times per year
- City Manager final approval
- Finance Director will provide administrative support

Incentives

- First Year of Loan
 - 100% of the amount earned or saved in excess of the repayment amount may be appropriated to the department and used for nonrecurring one-time purposes
- Second Year of Loan
 - 50% of amount earned/saved shall be appropriated to the department for nonrecurring one-time purposes
 - 50% to the Productivity Bank
- Third Year of Loan and thereafter
 - 100% to the General Fund

Process

- Application — Proposal, Plan, Measures, Budget
- Bank Loan Committee review
- Ongoing reporting of progress quarterly until paid and annually thereafter

Applications

- Project or initiative description how savings or revenue will be generated
- Proforma of cost, revenue, savings and timeline
- Implementation plan
- Benefits
- Evaluation plan and measures
- Assessment of implementation risks and likelihood of success
- Due by January 30 of each year for next budget year (or rolling basis during year)
- Applications will be evaluated by Departments, Finance, and Legal prior to final consideration by the Bank Loan Committee
- Application Form and Submittal Checklist will be developed
- Designated Finance Department staff will be available to assist (to answer question; help with costing of staff time, etc...)

Evaluation Criteria

- To be developed by the review Team and the Finance Department by July 1, 2019

Reporting and Monitoring

- Ongoing Reporting Requirement
 - Finance will monitor and report on the progress of each project and initiative
 - Due by December 30 of each year
 - Status
 - Financial and operating performance
 - Data provided by Department staff to Finance staff
- Failure –
 - If:
 - A project / initiative can no longer be accomplished; or
 - There is a substantial likelihood that the loan cannot be repaid in the term
 - Then:
 - Unspent funds must be returned
 - Spent funds must still be paid back within a specified time frame to be decided

Program Comparison

Features	Philadelphia	Baltimore	Springfield	Draft
				Salinas Plan
Name	Productivity Bank	Innovation Fund	Productivity Bank	Productivity Bank
Purpose	One-time seed money to save, increase revenue, or increase service	One-time seed money to save, increase revenue, or increase service	One-time seed money to save, increase revenue, or increase service	One-time seed money to save, increase revenue
Fund Amount	\$20 Million	~\$4 Million	-	\$500,000
Revolving Loan	Yes	Yes	Yes	Yes
Loan Amount Thresholds	N/A	>\$100k	>\$250k	>\$50k
Payback Period	5 Years	3 Years	5 Years	5 Years
Application Form and Required Content	Yes	Yes	Yes	Yes
Evaluation Criteria	Yes	Yes	Yes	Yes
Review Team	Yes	Yes	Yes	Yes
Interest Rate				LAIF
Incentives	No	Yes	Yes	Yes
Incentive Structure	N/A	50% in Yr. 1 and 2	50% in Yr. 1; 25% Yr. 2	100% in Yr. 1; 50% Yr. 2; 25% Yr. 3
When Requested	Rolling Basis	Budget cycle or rolling basis	Budget cycle or rolling basis	Budget cycle or rolling basis
Reporting	Yes	Yes	Yes	Yes

Discussion

