

Date: December 10, 2025

To: Community Development Authority

Mason Becker, Economic Development Director

From: Jeremiah Thomas, Comptroller

Re: **Fund 900 and 910 Financials Overview and Loan Update and Administration of Loans**

Fund 900 is the Community Development Authority's (CDA) daily operations fund and Fund 910 is the CDA's primary program (loan/grants, property, etc) account. Each month there are a variety of reports prepared by Finance and provided to the CDA to serve as updates on the status of each of the funds.

The monthly financial reports consist of the following reports:

- Funds 900 & 910 Rev Exp
- Funds 900 & 910 Balance Sheet
- Bank Account Reconcile Sheet
- Loan Balances
- CDA Monthly Bank Entries
- Fund 900 Checks

The Rev Exp report is the monthly and Year to Date (YTD) Income statement for each fund.

The Balance Sheet is the monthly and YTD balance sheet for each fund.

The Bank account Reconcile Sheet states each checking account balance for the past 12 months, notes any reconciled differences from the General Ledger system and the month end bank account balance, and the interest rate earned and actual interest paid in each account.

The Loan Balance Report provides a monthly update on all the loans currently on the books for Fund 910 and gives a running balance of the Affordable Housing Loans issued for down payment assistance.

The CDA Monthly Bank Entries Report provides a report of the payments received from CDA Fund 910 loans, other monies collected outside of loan payments and expenses paid from CDA Fund 910 monies.

The Fund 900 Checks Report lists all checks or expenses paid from the CDA Fund 900 operating budget.

Year to Date loan Update:

Fund 910 has 3 loans in active repayment. Those loans are Pauquette Center, Learning Depot and Safepro Tech. Two loans were paid off, and those loans were Milk Advisory Board (Sweet Spot), and Inventalator. Fund 910 has two Façade Loans in active repayment with those being Bowers House LLC and Shabani Inv LLC. Fund 910 carries two loans that are active and in deferral of payments until later dates with those being Edgerton Hospital and Safepro Tech. Currently there are five loans that are in default of their loan agreements; three of the loans are for Slipstream, and the other two loans are for Fine Food Arts (Black Sheep) and Scanalytics.

Administration of Loans:

The CDA should strive to balance business development, fair and consistent loan terms, loan/business risk, and a consistent process for loan applications, approvals and write offs. There is a fiduciary responsibility to the CDA with use of citizen's resources and should be acknowledged during the process. A fiduciary responsibility is the responsibility to act in the best interests of the stakeholders, which is the citizens of the City of Whitewater. This would include when to acknowledge a write off should happen.

Case in point is the refusal to write off the Fine Food Arts (Black Sheep) loan. The original loan to Fine Food Arts (Black Sheep) occurred on 12/29/2021 with a principal loan balance of \$31,810.00. Payments were to be deferred, but interest accrued for 1 year and payments were to start on 12/15/2022. Starting in May 2024 the CDA Board began incurring attorney fees on the default of the loan continuing through December 2025. To date the CDA Board has spent a total of \$24,904.44 in attorneys fee for the collection on the \$31,810 loan. It amounts to spending 78.3% of the original principal balance of the loan with little chance of recovering any costs, principle, interest or attorney's fees. An analysis of the cost/benefit of pursuing a default judgement should be completed. The likelihood of recouping any funds should be compared to the costs to recoup the funds. This analysis would help preserve the CDA's assets and allow for optimal use of CDA funds. In the Fine Food Arts (Black Sheep) instance, \$20,000 or more could have been saved if at the point it was evident there is virtually no chance of recouping any funds to just write off the loan and use the \$20,000 to fund a different business loan. Using the funds for a new loan there is a chance the new loan would generate income via interest payments, help grow a local business and worst case the loan is written off and the net effect of the loan being written off is the same as spending the money on attorney's fee. However, with a loan it would further the CDA's mission of business development within the community.

Recommendations:

It is the Finance Department's formal recommendation to write off the Fine Food Arts (Black Sheep) loan and cease any further attorney's fee.

It is further recommended that in 2026 the CDA Board and Economic Development Director work on establishing loan program procedures or standards. This would include a consistent process for loan applications (including items needed such as financials, business plans, etc), application review, risk analysis and ability to repay review, approval process, loan terms (semi standardized), post loan terms (example: yearly financials) and the write off analysis.