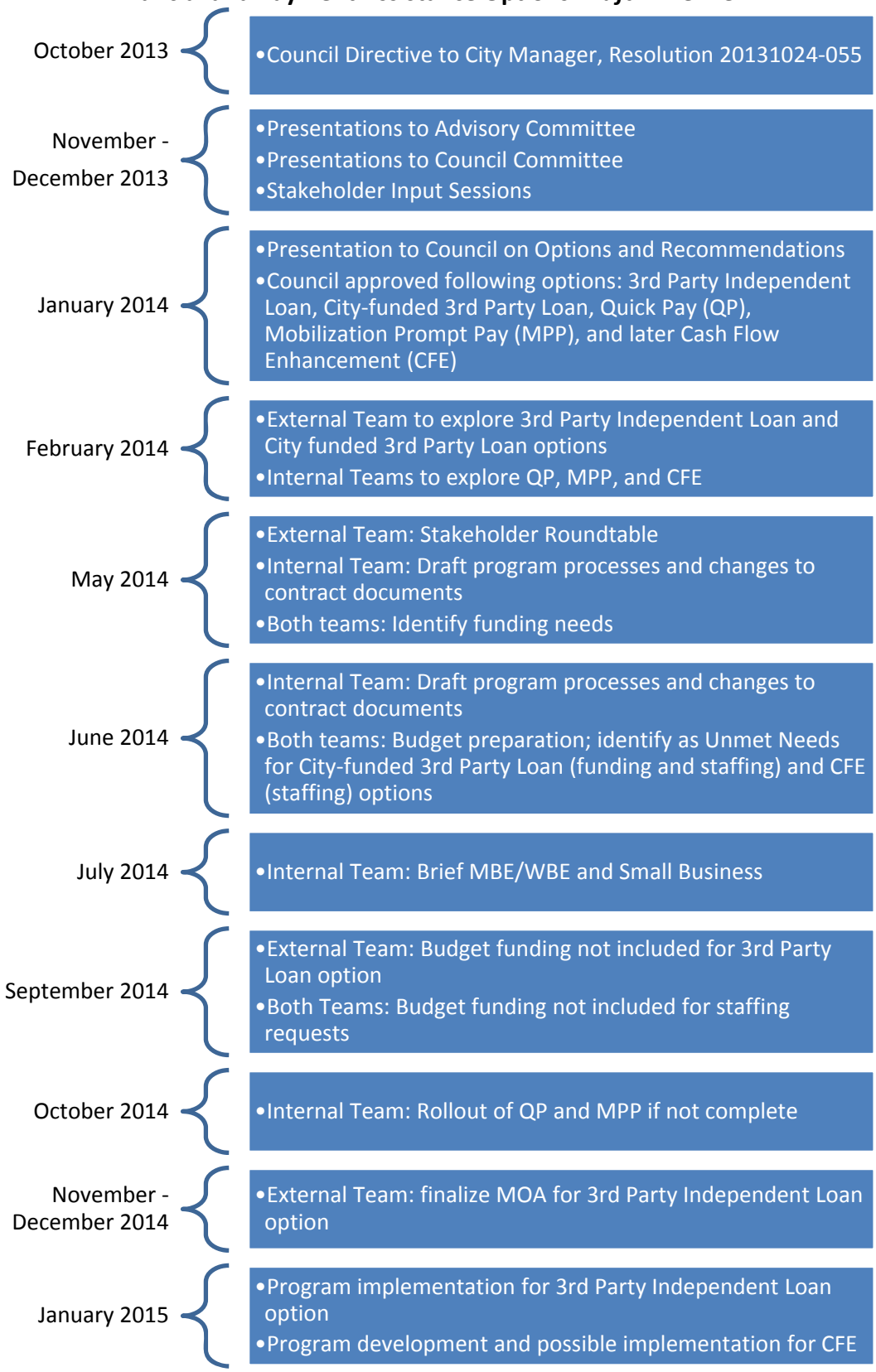
Financial and Payment Assistance Options *Draft* Timeline



** September- January activity largely contingent upon budget approval; modifications will be made accordingly. Staff will update both the MBE/WBE and Small Business Council Committee and the MBE/WBE and Small Business Advisory Committee monthly on the process of the timeline.*

	Potential Financial and Payment Assistance Programs	City contracts	Ch. 380 contracts
1)	**City approaches 3rd party financial institutions to offer independent loan program** • Lenders voluntarily offer loans with more flexible criteria than traditional commercial loans • Lenders have expertise in making credit decisions • Concerns that interest rate will be too high; the funds will still be inaccessible; the traditional lending process moves too slow • City costs: None; no City funding would be necessary; the City could choose to dedicate 1 FTE for education and outreach	x	x
2)	**City contracts with a 3rd party administrator and funds a loan pool** • City could require financial institution to match City's funds • City would continue to fund for a period (likely 2-3 years, subject to annual appropriation). Annual funding could decrease as the loan pool grows • During the procurement process, the City can establish the parameters of the loan program and the eligibility requirements • City funds potentially at risk of default, which could deplete the pool • City costs: Dependent on City's preferred program scope & size o Funds paid to financial institution for program administration, Grant/seed money for revolving loan pool ($250K-$1M), 1 or more City FTEs to serve as Contract Administrator. This funding has been included as an unmet need in the Budget Process	x	x
3)	**City establishes Quick Pay Program (QP)** • Prime contractor invoices City for "Quick Pay" funds. Subcontractors would apply for QPP program and perform the work. Subcontractor then invoices the prime as work is completed and is paid by the prime from the "Quick Pay" funds within 10 days of the work being accepted and approved. The prime would then invoice the City on the next regular pay application. • Similar to program used on new City Hall construction • Payment occurs once work is performed which reduces risk for the City; easy to implement for COA projects • City Costs: No additional staffing resource needs have been identified at this time. May result in higher overall bid/contract price.	x	
4)	**City establishes Mobilization Prompt Pay Program (MPP)** • Prime contractors can submit pay applications twice a month, rather than monthly, at critical mobilization points during the project (typically the first few months of work) • Subcontractors can receive payments more quickly during critical mobilization phase • May cost the COA more contractually due to increased general conditions cost for primes and may also increase staff charges to capital projects due to review and processing of extra pay applications • City Costs: No additional staffing resource needs have been identified at this time.	x	
5)	**City establishes Cash Flow Enhancement Program (CFE)** • Prime contractor invoices City for "CFE" funds. Subcontractors would apply for CFEP. If approved, prime would advance funds (up to 5% of the subcontractor's contract amount) to fund mobilization expenses. The loan would be paid through deductions from progress payments. **(**Similar to program used on Convention Center expansion) • Subcontractors can receive access to funding during critical mobilization phase. Administration as an internal City of Austin program helps ensure funding is accessed in a timely fashion • Higher risk option as project funds are loaned out in advance of performance of work • City Costs: a Lending Specialist to facilitate the review and approval process of loans and a contract administrator to monitor the activities and payments. May result in higher overall bid/contract price. This funding has been included as an unmet need in the Budget Process.	x	

The following options are excluded from the report presented to City Council because the MBE/WBE Council Committee asked staff to further explore options listed above: City contracts with a 3rd party financial institution to administer a loan program; City establishes a loan guarantee and/or collateral pool; and Chapter 380 recipients pay for a loan guarantee and/or collateral pool fund.