



# PORTLAND MAINE

*Strengthening a Remarkable City, Building a Community for Life* • [www.portlandmaine.gov](http://www.portlandmaine.gov)

**Finance Department**  
Duane G. Kline, Director

March 21, 2007

Senator Dow,  
Representative Adams,  
Member of the Marine Resources Subcommittee on Groundfish

To confirm in writing my testimony to the Subcommittee on Wednesday, regarding the proposed funding of a \$5 million revolving loan program for refinancing existing debt of Maine vessel owners, I offer the following:

In a further effort to assist the State's groundfish industry, the City of Portland offers to administer the loan program described above. The City is in a unique position to offer this service, as we currently administer various local and federally funded loan programs, such as business development and HUD. We have loan officers and attorneys on staff to facilitate this administration, as well as professional financial management and accounting staff.

As the Subcommittee discussed, I realize and appreciate the caution of seemingly competing with private lending institutions. It is not the City's intent to do that, even with our current programs, and as a local government, we are well sensitive to this issue.

While there are institutions such as Farm Credit, or Coastal Enterprises, Inc., that loan money under various programs, they are in that business and not only need to amass a loan portfolio for leverage, but also pay for their administration and overhead. The programs that the City administers work to satisfy public policy missions, and I believe the preservation and rebuilding of the groundfish industry is such a mission.

Given the efforts to help the groundfish industry in immediate and cash-positive ways, I see a role for the City to accomplish this particular task in a low cost way. Other than actual costs we may incur, such as filing fees and postage, we will not deduct administrative fees. I would conservatively estimate ½ % for this cost. This preserves loan proceeds for their original intent. Also, the City is not bound by constraints on interest rates. I had suggested a 4% rate, which is roughly half the rate currently paid by vessels. A 50% savings in interest costs is an immediate relief to vessels.

Recognizing this as a refinancing program, it is not necessary to grow loan funds in the future, unless there is more need to be addressed. As with other measures proposed, this would help the industry through a period of stress, and is one of a number of tools needed. This is a one-time appropriation, and, unlike other loan funds appropriated by the State, when the terms of refinancing are completed, the balance can be returned to the State.

In support of the \$5 million amount, we heard today that "average" debt could range from \$200,000 to \$500,000, which quickly eats up those proceeds. Capping individual loans at \$200,000 would assist 25 vessels, or close to a quarter of the State's current fleet. With that as a goal, I would also suggest flexibility as we might gain experience with loan applications. One important caveat of a loan agreement would be the requirement that during the term of the loan, all groundfish landed by the loan recipient would come to the Fish Exchange, either by direct landing or by transportation. Since the Fish Exchange handles about 90% of all landings in Maine, this requirement should not be prohibitive, and will help preserve that infrastructure as well.

Finally, understand that the City offers this as further evidence of support to the groundfish industry, and its commitment to maintaining the Fish Pier and Fish Exchange. This program would clearly be available to all of Maine's groundfish vessels, not just those in Portland.

I appreciate the Subcommittee's thoughtful consideration of this item, and I am pleased to offer any other information you might need in your deliberations.

A handwritten signature in black ink, appearing to read "Ellen Sanborn", with a long horizontal flourish extending to the right.

Ellen Sanborn, Assistant Finance Director, PFE Board Member  
City of Portland