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# EMMETSBURG MUNICIPAL UTILITIES

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## REVOLVING LOAN FUND PROGRAM GUIDELINES

# **EMMETSBURG MUNICIPAL UTILITIES REVOLVING LOAN FUND PROGRAM GUIDELINES**

In an effort to promote and encourage economic development, along with enhancing community cooperation around Emmetsburg, Emmetsburg Municipal Utilities has established a Revolving Loan Fund to provide financial assistance to new and expanding businesses. The revolving loan fund is governed by the guidelines specified in this document.

## **PURPOSE**

The Revolving Loan Fund Program is designed to provide supplemental financing in support of new and expanding businesses located within Emmetsburg, or its immediate surrounds area with priority given to those using natural gas as their primary energy source for space and water heating. The revolving loan fund will be used by the Emmetsburg Municipal Utilities Board to make direct loans or loan guarantees for the following purposes:

1. To increase employment opportunities by increasing the number and type of businesses in the Emmetsburg area.
2. To offer financial assistance that will promote the retention and expansion of existing businesses.
3. To increase the property tax base, as well as the base loads for the natural gas and water utilities.
4. To diversify the economic composition of the area by encouraging unique or essential business concerns.

The Revolving Loan Fund cannot be used for refinancing existing debt. Each loan is project-based and will be individually evaluated and require approval from the Emmetsburg Municipal Utilities Board.

## **GENERAL GUIDELINES**

### **TYPE OF ASSISTANCE**

The Loan Fund will provide loans and loan guarantees to new and expanding businesses within the city limits of Emmetsburg. In the case of loans, the interest rate charged and length of the loan will be determined for each project individually based on demonstrated need. Loans at no interest are permitted if such an arrangement is determined to be necessary. Generally, the term of the loan will not exceed ten (10) years and the loaned funds shall provide no more than 35% of the financing for any project up to a maximum of \$150,000. Additionally, financing from the applicants' financial institution must exceed the amount requested from the Emmetsburg Municipal Utilities Revolving Loan Fund. (Emmetsburg Municipal Utilities has the right to modify the guidelines based on proposed projects.)

### **ELIGIBILITY**

Applications will be considered from any sector of the local economy. These include, but are not limited to, businesses involved in agriculture, manufacturing, service, or retail activities.

### **APPLICATION PROCEDURE**

Applications for the Revolving Loan Fund will be accepted by Emmetsburg Municipal Utilities at any time during the year and considered on a continuous basis contingent on the availability of loan funds. Applications may be obtained from and returned to Emmetsburg City Hall. Emmetsburg Municipal Utilities Board will take action on complete application within 60 days of receipt. Action may include funding the application for all or part of the requested amount, denial of the application, or requesting that additional information be supplied prior to making a final decision. Once the application has been approved by Emmetsburg Municipal Utilities, the Applicant's financial institution must prepare all required closing documents for the Emmetsburg Municipal Utilities Revolving Loan Fund before the approved loan amount can be disbursed to the applicant. These documents include, but are not limited to: Loan Agreement, Personal Guaranty, Mortgage, Security Agreement, Promissory Note, Amortization Schedule and UCC Financing Statement. Approved loaned funds must be disbursed by Emmetsburg Municipal Utilities six months from the date of approval; otherwise, the application is null and void and the applicant must reapply.

### **THRESHOLD CRITERIA**

Normally, applicants for the Revolving Loan Fund must satisfy the following minimum requirements to be eligible for assistance:

- A. Generally, a ratio of one full-time job or combination equaling one full-time job created or retained for every \$10,000 of loan funds received;
- B. Generally, job creation projections will be realized within a two year period;
- C. Generally, loan funds shall provide no more than 35% of the financing for any project up to a maximum of \$150,000;

- D. There must be evidence of a new private equity injected into the project;
- E. There must be evidence that the project is feasible and that the business requesting assistance can continue as a “going concern in the foreseeable future without additional or ongoing assistance;
- F. There must be evidence that the overall impact of this project will have a positive impact on the Emmetsburg area;
- G. There must be evidence that no significant negative land use or environmental impacts will occur as a result of the project.

**ELIGIBLE AREA**

The location of each Revolving Loan Fund project should be within the Emmetsburg area. Any Revolving Loan Fund loan must be immediately repaid including outstanding principal and interest if the project activity is moved outside the area specified in the loan documents.

**EVALUATION PROCEDURE:**

The City Administrator/Utility Superintendent and/or Marketing & Retail Coordinator will review the application for completeness and either return the application to the applicant with deficiencies noted or forward the proposal to the Emmetsburg Municipal Utilities Board. The EMU Board will have 30 days to meet and review the application.

The Emmetsburg Municipal Utilities Board:

- A. Submit the recommendation for approval and suggested terms;
- B. Submit a recommendation to not approve a project; or
- C. Return the proposal to the applicant for further information or clarification.

The Emmetsburg Municipal Utilities Board have sole discretion where approving loans is concerned.

**RATING CRITERIA**

The following criteria will be used to rank applications for the Revolving Loan Fund:

- A. Number of jobs created or retained per funds requested; jobs to be created must be within a two-year period. Generally speaking, loans exceeding \$10,000 per job created or retained will not be awarded. However, consideration will be given to the wage level and fringe benefit package of the jobs, as well as other extenuating circumstances, which may require special consideration.
- B. Percent of funds other than Revolving Loan Funds in the project.

- C. Need for an impact of the project; consideration will include resultant new economic activity, quality of jobs, project schedule, property tax enhancement and other effects on the local tax base, and impact on the municipal utilities' loan factors.

The overall reliability and feasibility of the application material will be considered.

Priority will be given to projects that create manufacturing jobs, diversify the areas economic composition, unique, or essential business concerns. Restructuring of existing loans will be considered low priorities.

### **APPLICATION INFORMATION**

The applicant must agree to allow the Emmetsburg Municipal Utilities to research the company's history, make credit checks, contact the company's financial institution, and perform other related activities necessary for the reasonable evaluation of the application. In the event inaccuracies, omissions, or errors are found, the Emmetsburg Municipal Utilities Board will have the discretion of rejecting the application or re-rating it based on corrected information.

### **LOANS**

If a proposal for a loan is approved for funding, the applicant will sign a loan agreement with Emmetsburg Municipal Utilities. This agreement, at a minimum will establish the following:

- A. The interest rate of the loan, whether it is fixed or variable, and the terms of its variability;
- B. The term of the loan;
- C. The frequency of loan payments;
- D. Penalties for late payment;
- E. Job creation and/or retention schedule, as provided in the application;
- F. Penalties for failure to meet job creation or retention goals.

Interest rates may differ between projects. Rates charged depend upon the needs of each project and the degree to which the proposal is in conformance with the goals and priorities of the Revolving Loan Fund Program.

Loans may be long or short term, not to exceed 10 years, depending upon the particular situation. The term may vary from project to project.

**COLLATERAL**

Revolving Loan Funds shall be secured by mortgages and/or liens against fixed assets. Such mortgages and/or liens may be subordinated to conventional bank financing. Other security, including personal guarantees, may be required.

**COSTS**

To apply, applicants will need to submit a non-refundable application fee in the sum of \$250.00

**REPAYMENT OF LOANS**

Loans may be renegotiated. Re-negotiation proceedings, however, are not the borrower's inherent right. In general, repayment of loans will be made via equal payments over the term of the loan. Payments will be due and payable monthly, quarterly, semi-annually, or annually. Alternative schedules may be arranged if deemed appropriate.

The date of the first loan payment will be arranged on a project-by-project basis. Usually the date of first payment will not exceed six months from the date of the loan.

Loans made from the Revolving Loan Fund are not assumable. Loans shall become due and payable if the business is sold or if the original applicant significantly changes the nature of the business.

In the event that the borrower does not achieve the job creation levels specified, or in the event that the total project cost is less than the amount specified in the application, then loan funds received from Emmetsburg Municipal Utilities will be subject to disallowance and immediate repayment to Emmetsburg Municipal Utilities. The maximum percentage of loan funds, which may be disallowed due to failure to achieve performance targets within two years, will be equal to the percentage of the performance targets not achieved.

Submission of semi-annual statements and job creation reports shall be required of all borrowers. Copies of such reports will be given to Emmetsburg Municipal Utilities.

All costs associated with the loan, (origination fee, closing costs, etc.) will be the responsibility of the applicant.

**ADMINISTRATION OF THE FUND**

The City of Emmetsburg's finance director will be responsible for maintaining the appropriate accounting records relating to the operation of the Revolving Loan Fund. Administration of specific loan agreements and monitoring of funded projects may be the responsibility of Emmetsburg Municipal Utilities or may be subcontracted to a qualified individual or firm. Costs for the administration of the Revolving Loan Fund may be derived from interest payments on loans made from the fund, from the Emmetsburg Municipal Utilities funds or from in-kind contributions.

## **OTHER CONSIDERATIONS**

### **RETENTION OF RECORDS:**

All records related to each loan transaction shall be retained by Emmetsburg Municipal Utilities for a period of a least three (3) years after the date upon the final loan payment is received.

### **PLAN AMENDMENTS**

Emmetsburg Municipal Utilities Board may amend this plan by majority vote of its members.

### **TERMINATION**

The Revolving Loan Fund may be dissolved by a majority vote of the Emmetsburg Municipal Utilities Board. Upon dissolution of the fund, real and personal property shall be distributed to the individuals and entities who have made contributions.

### **CONFIDENTIALY**

All information obtained in the course of processing an application shall be held in strict confidence by the members of the Emmetsburg Municipal Utilities Board.

*This institution is an equal opportunity provider, employer and lender*