

City of Menahga
Information Memorandum 17-013
Resolution No. 2017-016

Subject: Resolution No. 2017-016: Adopting the City of Menahga Revolving Loan Fund Policy

Agenda of: August 14, 2017

Council action: Adopted _____

Summary statement: Resolution No. 2017-016 adopts the updated version of the Revolving Loan Fund Policy.

The policy has been updated to clearly state businesses must be located in the City of Menahga to be considered for funding. The new version has also been restructured for ease of reading.

New language has been added under Section 6. The new language directs the Administrator to complete an initial review and establishes the criteria for the Administrator to reject applications. Applications that are not rejected, are forwarded to the review committee.

The current policy contained language regarding "Loan Pool Policies". That language has been moved to another policy.

Attachments:

- Resolution No. 2017-016
- Updated Revolving Loan Fund Policy
- Current Policy

Agenda Date: August 14, 2017

Action: Adopted

Vote: Unanimous

Yes:	No:
Ellingson	
Komulainen	
Lawrey	
McNeece	
Foss	

CITY OF MENAHGA, MINNESOTA

Resolution No. 2017-016

A Resolution of the Menahga City Council Adopting the City of Menahga Revolving Loan Fund Policy

WHEREAS, the City previously adopted a Revolving Loan Fund Policy; and

WHEREAS, Resolution No. 2017-016 updates the language to state the eligible businesses must be located within the City of Menahga.

NOW, THEREFORE BE IT RESOLVED that the City of Menahga adopts the Revolving Loan Fund Policy, Policy No. 17-002.

Passed and approved by the City Council of the City of Menahga, Minnesota, fourteenth day of August, 2017.

Patrick Foss, Mayor

Janette M. Bower, Administrator

City of Menahga
Revolving Loan Fund Policy
Policy No. 17-002
Adopted by Resolution No. 2017-016
August 14, 2017

Section 1. Revolving Loan Fund

The Menahga Revolving Loan Fund (RLF) is available to existing and potential Menahga Businesses, located in the City of Menahga (Menahga City Limits), based on the criteria established in this Policy.

Section 2. Purpose and Goals

The purpose of the Revolving Loan Fund (RFL) is to create new employment or to maintain existing employment and for business start-up, expansions, and retention within the City of Menahga (Menahga City Limits). This may be accomplished by the following means:

- A. Creation or retention of permanent private-sector jobs in order to create above average economic growth.
- B. Stimulation or leverage of private investment to ensure economic renewal and competitiveness.
- C. Increasing the local tax base.
- D. Improvement of employment and economic opportunities for citizens in the region to create a reasonable standard of living; and
- E. Stimulation of productivity growth through improved manufacturing of new technologies.

Section 3. Project Criteria

- A. The maximum RLF loan to any individual business is \$50,000.
- B. The loan amount shall not exceed 50% of the total project cost.
- C. Ten percent minimum owner equity must be committed to the project.
- D. The project must be leveraged by new investment by a local bank. Note: this requirement may be waived at the discretion of the City Council.
- E. The RLF loan interest rate shall be the prime interest rate.
- F. The City may accept a subordinate position on collateral.
- G. Businesses applying for a RLF loan must show a positive cash flow and projections, ability to service the debt and proven management expertise.

Section 4. Eligible Expenditures

- A. Acquisition and/or improvement of land, buildings and equipment.
- B. New construction or renovation of existing buildings.
- C. Demolition and site preparation.
- D. Equipment purchases.
- E. Working capital: Inventory and accounts receivable.

Section 5. Ineligible Use of Loan Funds

- A. Refinancing of debt.
- B. Professional fees.
- C. Owner salary, draw or payroll.

Section 6. Loan Application

- A. The loan application shall be submitted to the City Administrator who will complete an initial review of the application.
- B. The City Administrator is authorized to reject applications based on the following:
 - 1. Incomplete applications;
 - 2. Applications lacking the loan origination fee;
 - 3. Businesses located outside the Menahga City limits.
- C. Following the Administrator's initial review, the Administrator shall submit the applications, with the exception of those not rejected based on the criteria in section B, to the independent agency (committee) selected by the Council.
- D. The Committee will evaluate each application and make a recommendation to the Menahga City Council.
- E. The City Council will take the Committee's recommendation into consideration when making their decision regarding the loan.
- F. The City Council's decision is final.

Section 7. Loan Fees

- A. The Loan Origination Fee, listed in the Fee Schedule, shall accompany the loan application.
- B. The fee shall be refunded if the loan is approved.
- C. All fees shall be used only for the administration of the fund.
- D. All loan related costs and fees shall be the responsibility of the borrower.

Section 8. Wage Goals

- A. If applicable, Businesses receiving RLF assistance must pay each employee total compensation, including benefits not mandated by law, that on an annualized basis is equal to at least 110% of the federal poverty level for a family of four.
- B. The federal poverty level changes annually.

Section 9. Business Subsidies

- A. A business subsidy greater than \$150,000 provided by a state or local government agency must follow the requirements of Minnesota Statutes 116.
- B. These sections pertain to the public purpose of the subsidy, subsidy agreements, wage and job goals, timing of the project, public notice and hearing requirements, failure to meet goals, and reporting of information regarding the outcomes of the subsidy to DEED.

Section 10. Municipal Rights, Powers, and Duties

An officer of the city may not have a personal financial interest or personally benefit financially from the business to be assisted, unless authorized in Minnesota Statute 469.009.

Section 11. Government Data Practices

Information contained in the application for assistance will become a matter of public record with the exception of those items protected under the Minnesota Government Data Practices Act.

CITY OF MENAHGA
REVOLVING LOAN FUND POLICIES & PROCEDURES
AMENDED 4/14/14

6. MENAHGA REVOLVING LOAN FUND POLICIES & PROCEDURES

The Menahga Revolving Loan Fund will be made available to existing and potential Menahga Businesses. Loan application review will be done by an independent agency selected by the Council.

6.01 Purpose and goals: The purpose of the revolving loan fund (RFL) is to create new employment or to maintain existing employment and for business start-up, expansions, and retention. This may be accomplished by the following means:

- A. Creation or retention of permanent private-sector jobs in order to create above-average economic growth
- B. Stimulation or leverage of private investment to ensure economic renewal and competitiveness
- C. Increasing the local tax base;
- D. Improvement of employment and economic opportunity for citizens in the region to create a reasonable standard of living and
- E. Stimulation of productivity growth through improved manufacturing of new technologies.

6.02 Eligible expenditures:

- A. Acquisition and/or improvement of land, buildings and equipment.
- B. New construction or renovation of existing buildings.
- C. Demolition and site preparation.
- D. Equipment purchases.
- E. Working capital: Inventory and accounts receivable.

- 6.03 Ineligible Use of Loan Funds
- A. Refinancing of debt.
 - B. Professional fees.
 - C. Owner salary, draw or payroll.
- 6.04 Project criteria:
- A. The maximum Revolving Loan Fund loan to any individual business shall not exceed \$50,000.
 - B. The loan shall not exceed 50% of the total project cost if loan is greater than \$10,000.
 - C. The minimum of 10% owner equity must be committed to the project.
 - D. The project should leverage new investment by the local bank, which can be waived depending on circumstances.
 - E. The interest rate of the direct RLF loan shall be the prime interest rate.
 - F. The City may accept a subordinate position on collateral.
 - G. Businesses applying for a RLF loan must show a positive cash flow and projections, ability to service the debt and proven management expertise.
- 6.05 Loan Fees: A Loan Origination Fee of \$300.00 shall be charged at the time the independent agency selected by the Council authorizes the submittal of a formal loan application. This fee shall be refundable if the loan is approved. All origination fees will be used only for the administration of the fund. All loan related costs and fees shall be the responsibility of the borrower.
- 6.06 Wage goals: If applicable, Businesses receiving RLF assistance must pay each employee total compensation, including benefits not mandated by law, that on an annualized basis is equal to at least 110% of the federal poverty level for a family of four. The federal poverty level changes annually.
- 6.07 Municipal rights, powers, and duties: An officer of the city may not have a personal financial interest or personally benefit financially from the business to be assisted, unless authorized in Minnesota Statute 469.009.
- 6.09 Business subsidies: A business subsidy greater than \$150,000 provided by a state or local government agency must follow the requirements of Minnesota Statutes 116J. These sections pertain to the public purpose of the subsidy, subsidy agreements, wage and job goals, timing of the project, public notice and hearing requirements, failure to meet goals, and reporting of information regarding the outcomes of the subsidy to DEED.

6.10 Government data practices: Information contained in the application for assistance will become a matter of public record with the exception of those items protected under the Minnesota Government Data Practices Act.

7. LOAN POOL POLICIES

7.01 Purpose and goals: The purpose of the loan pool is to facilitate, promote, and encourage new and existing business development and increased employment by providing loans to new and expanding industries and businesses in the City of Menahga.

7.02 Administration: The management and control of the pool shall be controlled by the Menahga City Council with assistance from consultants, as needed. Consultants, after conducting their financial analysis, shall give written recommendation to the City Council for their consideration and action.

7.03 General Guidelines for Lending: The general guidelines and supporting documentation for the making and servicing of loans and disbursement of funds shall include, but not be limited to, the following:

- A. Refinancing of existing debt will not qualify;
- B. Business plans will be required before funding will be considered;
- C. Loans for existing businesses shall require at least three years of financial statements to be provided by the prospective borrower;
- D. For either new or existing businesses, two years of projections shall be provided by the prospective borrower with the basis for the projections provided;
- E. For new businesses, background of principals must be provided by the prospective borrower;
- F. For either new or existing business, when said business is a closely held corporation, personal financial statements of each stockholder shall be provided by the prospective borrower;
- G. After any loan is approved, for either new or existing businesses, interim financial statements are to be provided by the borrower upon request in the following manner:
 - 1. Annual financial statements are to be provided by the borrower, said financial statements to include reconciliation of new worth and a sources and uses schedule;
 - 2. Guarantors are to provide an annual statement;
 - 3. Other requirements or security, including life insurance, at the discretion of a majority of the Council;
 - 4. Personal guarantees will be required unless waived by a majority of the Council;

5. All notes shall be payable at a specified date and may be called in event of default, change of ownership, or other reasonable cause.

The City Council shall have the authority at any time before or after the approval of any loan made hereunder to request additional or further information as is deemed by a majority of its members.

The City Council shall have the authority to modify, change, vary, or negate any of the terms, provisions, or conditions when, in the opinion of a majority of the members thereof, such modification, variance, or negation shall best meet the purposes of the loan pool.