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
115 2nd Street NE • PO Box C
Menahga, MN 56464
218-564-4557
www.cityofmenahga.com

Revolving Loan Fund Application

Application Date: _____

Business name: _____

Physical address: _____

Mailing address: _____

City: _____ State: _____ Zip: _____

Applicant(s) name(s): _____

Phone numbers: _____

Business is a(n): ☐ New business ☐ Existing business

If this request is for an existing business, how many years in business? _____

How much equity is in the existing business? _____

1. Describe your business, including information regarding products and services provided, general market area served, experience or other qualifications you have for operating your business and any other information you feel appropriate:

_____

_____

_____

_____

_____

_____

_____

_____

_____

2. Describe the proposed project you are seeking assistance for:

3. What collateral do you have available which can be used as security for the proposed financing and what is the market value?:

4. How many jobs do you anticipate will be created or retained by this project?:

Created: _____

Retained: _____

Total: _____

5. What is the wage/salary range of these jobs?:

$ _____ Per hour to $ _____ Per hour And/Or

$ _____ Per year to $ _____ Per year

Sources and Uses of Funds

List the all sources and uses of funds:

Sources

City of Menahga Revolving Loan Fund: $ _____

Bank Financing (list bank name)

Bank #1: _____ $ _____
Bank #2: _____ $ _____
Bank #3: _____ $ _____

Other Financing (list financing type)

_____ $ _____
_____ $ _____
_____ $ _____

Personal Funds (Equity) $ _____

Total Funds: $ _____

Uses

Building $ _____
Land $ _____
Equipment $ _____
Working Capital $ _____
Other _____ $ _____
Other _____ $ _____
Other _____ $ _____

Total Funds: $ _____

Business Plan Outline

Attach written documentation of the following:

Business History
Briefly describe the past operation of the business and/or the events leading to its creation.

Market Analysis and Strategy
1. Description of current buyers and target markets (provide verification of purchase orders, contracts etc., which relate to reasons for the loan request)
2. Competition
3. Pricing
4. Distribution
5. Advertising
6. Sales Promotion

Products
1. Description of product line
2. Proprietary position of patents, copyrights, legal and technical considerations
3. Comparison to competition

Manufacturing process
1. Materials
2. Production methods

Financial Projections
1. Monthly Cash Flow Analysis for Next 12 Months
2. Profit and Loss Statement: last three years and current quarter, plus two-year projection.
3. Balance Sheet: last three years and current quarter, plus two-year projection.

Schedule of Existing Business Debt
List outstanding balance, interest rate, term, maturity date, and collateral on all existing debt.

Statement of Proposed Collateral
A detailed list of all collateral offered, its value, and security position by funding source.

Resumes and Personal Financial Statements
Include resumes of all principals as well as current, dated, and signed personal financial statements on all principals with a significant financial interest in this business.

Commitment Letters
Include Commitment letters from banks or others which state the terms and conditions of their participation.

Affiliates
Description of any affiliates or subsidiaries of business or principals requesting assistance, as well as balance sheets and income statements for past two fiscal years on such affiliates or subsidiaries.

Appraisals / Proposed Lease / Purchase Options or Agreements
An independent appraisal is required for any real estate which is a subject of the proposed financing or which is offered as a major source of collateral to secure the loan. Also include copies of existing or proposed lease(s), purchase options or agreements, or any other financial arrangements.

Partnership Certificate of Authorization, or Corporate Certificate of Authority and Incumbency; include minutes of the corporate meeting adopting this certification, where applicable.

Other Required Documents
1. Copy of last year's submitted business income tax statement.
2. Copy of last year's submitted personal income tax statement.
3. Evidence of payment of last quarter's payroll tax.
4. Evidence of Worker's Compensation insurance coverage.

Additional Documents
1. Last year's business income tax statement
2. Last year's personal income tax statement
3. Evidence of payroll tax payment
4. Evidence of Worker's Compensation Insurance
5. Supporting Resolution from Cooperative Board (if applicable)

Applicant's Statement
I have willfully furnished this confidential information to the City of Menahga for the purpose of applying for a loan. I understand this information will be reviewed by the City of Menahga Loan Review Committee. I further authorize the City of Menahga Loan Review Committee to contact the individual and institutions involved in the proposed project.

_____ _____
Applicant Signature Date

_____ _____
Co-Applicant Signature (if applicable) Date