



Mineral Point, Wisconsin

Economic Development Loan Program

Manual (Version 1.0)

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SECTION 1. GENERAL PROVISIONS

1.1 PURPOSE

The policies and procedures contained within this manual (the "Economic Development Loan Program Manual" or "EDLP Manual") govern the economic development activities assisted with funds made available through the City's Economic Development Loan Program ("EDLP"). The EDLP is primarily structured as a Revolving Loan Fund and Gap Financing tool with flexibility to meet other economic development goals of the City.

1.2 OBJECTIVES

Economic development activities assisted with funds made available through the EDLP are intended to meet one or more of the following objectives:

- (1) To encourage the leveraging of new private investment into the City.
- (2) To perpetuate a positive business climate which encourages the retention and expansion of existing businesses and helps to attract desirable new businesses.
- (3) To implement the City's economic development goals and objectives.
- (4) To maintain and promote a diverse mix of employment opportunities.
- (5) To create financial incentives that foster rehabilitation of commercial real estate in the City.
- (6) To increase the tax base of the City.

1.3 AMENDMENTS AND MODIFICATIONS

The City may from time to time amend the provisions by the policies and procedures contained within the EDLP Manual.

SECTION 2. ADMINISTRATION

2.1 FINANCE COMMITTEE

- (1) The City shall utilize the Finance Committee as the formal Finance Committee consisting of the individuals representative of broad City interests.

- (2) The Finance Committee shall have the authority to review, select and recommend loan applications to the governing body for final approval. The City shall also have the authority to make policy recommendations for the administration of the program. Periodic activity reports prepared by the City Clerk/Treasurer shall be provided to members of the City Council.
- (3) The City Clerk/Treasurer shall explain the Program to prospective applicants, provide written information, assist applicants in completing application, and process requests for financing.
- (4) The Administrator shall periodically review all financial statements of EDLP loan recipients, review and approve documentation of business expenditures financed with EDLP proceeds, record or file EDLP security instruments, and maintain the records of the EDLP accounts which accounts shall be segregated from other City accounts.
- (5) The City attorney shall review or prepare all loan agreements, all promissory notes, mortgage or lien instruments, guaranties and other loan documents, and counsel the City on loan closing, servicing and liquidation matters.

MEETINGS

Meetings shall be held on an as-needed basis and in accordance with Wis. Stat. § 19.84. and § 19.85. A majority of the Committee in attendance at a meeting constituting a quorum shall be required for official Committee action.

RECORDS

- 2.2 Written records of all program activities, including Finance Committee meetings, loan applications, and related documents, shall be maintained in appropriate electronic or non-electronic files. The City's legal counsel shall be consulted regarding compliance with state open record laws.
- 2.3 The following files shall be established and maintained for each loan recipient:

- (1) Loan Application File. All application, business financial statements, personal financial statements, credit reports, business plan documents, and other supporting loan information submitted to the City, including all applicable correspondence, should be placed in a permanent file.
- (2) Loan Recommendation File. This file should contain a summary of the analysis, recommended actions for the application, and a copy of the minutes for the Finance Committee meeting summarizing the action taken on the loan request.
- (3) Loan Closing File. This file contains all the legal documents from the loan closing, including security instruments, the note and other applicable correspondence. The City's attorney may be consulted in creating and completing this file. Copies of the loan closing documents and an amortization schedule will be provided to the loan recipient, along with an invoice payable at closing, if applicable, for loan closing and servicing fees.
- (4) "Tickler File" or Alternative System. A tickler or alternative file system should be established and maintained to ensure that loan repayments, financial information, the loan agreement, UCC continuation statements, and other time sensitive documentation requirements are tracked and obtained as required. The system should include the following:
 - (a) Expiration or renewal dates for property, casualty and life insurance policies.
 - (b) Due dates for all financial statements.
 - (c) Lapse dates for UCC initial financing statements, reminders to continue the statement beginning six (6) months prior to the lapse date of the UCC filing.
 - (d) Scheduled dates of annual loan performance and covenant reviews.
 - (e) Dates for site visits.
 - (f) Due dates for property tax payments and dates by which the City expects to hear from the borrower regarding confirmation of payment of taxes.
 - (g) Dates on which loan recipients will be notified of scheduled changes in the loan amortization scheduled per loan agreements.

- (5) Financial Statement File. This file should contain the business's periodic financial statements as required by the loan agreement with a statement indicating that the City Clerk/Treasurer reviewed the data.
- (6) Progress Report File. Loan recipients should be required to submit periodic progress reports during the outstanding term of the loan. The City should make periodic site visits to verify information in the progress report and financial statements. These site visits should be documented for the file.
- (7) Site Visit File. Site visits should be conducted periodically to each loan recipient. A summary of the site visits should be placed in the file, highlighting any information that can help in rating the overall condition/risk of the loan.
- (8) Repayment Monitoring File. This file should include the loan amortization schedule, status of payments, and the outstanding balance of the loan. Concerns or problems observed or detected by the City Clerk/Treasurer should be reported to the Finance Committee and notations shall be placed in the tickler file or Alternative System to remind the City Clerk/Treasurer of the need to provide continued monitoring. If payments are made to City Hall, the file should include receipts of payments and evidence of notice of payments to the City Clerk/Treasurer.
- (9) Finance File. All loans are to be reviewed on an annual basis, and at such other times as may be deemed necessary by the City or Finance Committee. The review may follow receipt of the fiscal year-end financial statements, the year-end progress reports, and site visits. A report on the Finance shall be included in the file and address the following: timeliness of monthly payments; condition of collateral securing the loan and status of security documents (i.e. mortgages, UCC filings); overall financial condition of the business; the presence of material liens, lawsuits or other conditions adversely affecting the financial condition or prospects of the business; and violations of loan covenants and suggested corrective actions.

If the business is experiencing problems with any of the above criteria, the City Clerk/Treasurer may work with the loan recipient to identify actions that are needed to correct the identified deficiencies, including possible restructuring of the loan to protect the City's interest subject to approval by the Finance Committee.

In the event the findings of the Finance suggest serious problems, particularly if the loan is at risk for default, the account should be turned over to the City attorney for legal action in order to initiate steps necessary to protect the loan and to insure the maximum repayment of the balance due. Corrective actions may be achieved through restructuring or if necessary, collection actions.

All records and documents of the EDLP shall be adequately protected and maintained in accordance with applicable law.

2.4 ADMINISTRATION

Funds may be withdrawn from the EDLP to pay costs and administrative expenses. In addition to paying the cost of the City Clerk/Treasurers time, these funds may be used for the following, without limitation:

- (1) Legal costs.
- (2) Consulting fees for credit analysis, business plan reviews and technical assistance.
- (3) Training costs.

The Finance Committee and City Administrator shall review the EDLP account, outstanding loans, and this Manual annually and provide update recommendations to the City Council as necessary and appropriate.

SECTION 3. ELIGIBILITY CONSIDERATIONS

3.1 ELIGIBLE AREA

The area served by the EDLP Program shall generally be within the corporate limits of the City of Mineral Point, Wisconsin.

ELIGIBLE APPLICANTS

- 3.2
- (1) Applications may be submitted by the sole proprietor or authorized officer or agent of any business wishing to establish a new operation or expand or assist an existing operation in the City.
 - (2) No member of the City Council, Finance Committee, or any other official, employee, or agent of the City who exercises decision-making functions or responsibilities in connection with the implementation of the EDLP or immediate family member/organization with which they are involved is eligible for financial assistance under this program.
 - (3) No EDLP loans will be made which would result in a violation of Wis. Stat. § 946.13 (prohibiting private interests in public contracts) or Wis. Stat. § (codes of ethics for local government officials, employees and candidates).

3.3 ELIGIBLE ACTIVITIES

EDLP loans may be available to eligible applicants for the following activities:

- (1) The acquisition of land, building, and fixed equipment.
- (2) Site preparation and the construction or reconstruction of buildings or the installation of fixed equipment.
- (3) Clearance, demolition, or the removal of structures or the rehabilitation, remodeling or renovation of buildings and other such improvements.
- (4) The payment of assessments for sewer, water, street, and other public utilities if the provision of the facilities will directly create or retain jobs or accomplish other economic objectives of the City.
- (5) Working capital (inventory and direct labor costs only).
- (6) Other activities that support startup or existing business operations in the City subject to the discretion of the Finance Committee and Council.

3.4 INELIGIBLE ACTIVITIES

Unless otherwise determined by the Finance Committee and City Council, EDLP loans may not be available for the following activities:

- (1) Reimbursement for expenditures prior to loan approval.
- (2) Specialized equipment that is not essential to the business operation.
- (3) Residential building construction or reconstruction (unless such reconstruction is intended to convert the building to a business or industrial operation).

- (4) Routine maintenance.
- (5) Professional services such as feasibility and marketing studies, accounting, management services, and other similar services. Legal services incurred in the closing of an EDLP loan are eligible.
- (6) Interior finishing or remodeling/renovation of space to be leased to a third party.
- (7) Other activities that the Finance Committee or Council may identify during the administration of the EDLP Program.

3.5 INELIGIBLE BUSINESSES

EDLP loans may not be available for the following businesses:

- (1) Speculative business or passive business that do not actively use or occupy the assets acquired or improved with the EDLP loan proceeds.
- (2) Real estate investment companies.
- (3) Lending business.
- (4) Businesses deriving more than one-third of annual gross income from legal gambling activities.
- (5) Private clubs and businesses which restrict patronage for any reason.
- (6) Businesses engaged in any illegal activity.
- (7) Pyramid or multilevel sale distribution plans.
- (8) Other businesses deemed ineligible by the Finance Committee or City Council.

3.6 MINIMUM REQUIREMENTS

To be eligible for funding, a proposed project must meet all of the following minimum requirements:

- (1) Private Funds Leveraged. The applicant must leverage a minimum of one dollar (\$1.00) of private funds for every one dollar (\$1.00) of loan funds requested. Higher or lower leverage may be required or allowed at the discretion of the Finance Committee or Council.

- (2) Financial Feasibility and Business Viability. The applicant must demonstrate that the proposed project is viable and the business will have the economic ability to repay the funds.
- (3) Compliance with Applicable Laws. Applicants shall comply with the applicable local, state, and federal laws and codes.
- (4) Project Completion. Projects shall be completed within not more than 6 months from the date of the loan approval unless otherwise determined by the Finance Committee or Council. Applicants shall provide the City a project implementation schedule showing compliance with the project completion deadline.

SECTION 4. TERMS AND CONDITIONS

4.1 TERMS AND CONDITIONS

Loan terms and conditions shall be structured on need and ability to repay. Minimum standards may but are not required to include the following:

- (1) Loan Amount. Loan amounts are subject to the availability of EDLP funds.
- (2) Interest Rate. The minimum rate of interest will be 3.75% per annum. The interest rate may range from a minimum of 3.75% to the federal Prime Rate plus points depending on the project, risk involved, collateral and economic development benefits associated with the project. The interest rate will be fixed before maturity (whether by acceleration or lapse of time) of the loan.
- (3) Terms for Loans. Unless otherwise determined by the Finance Committee:
 - (a) Working capital loans shall have a maximum term of five (5) years.
 - (b) Loans for machinery, equipment and fixtures shall have a maximum term of seven (7) years.
 - (c) Real estate loans shall have a maximum of 10 years which can be amortized on a 20-year basis with an option of an extension of the term for an additional eight (8) years on stated terms and conditions.
 - (d) In any case, the loan shall not have a term longer than the terms of other private financing in the project.

- (4) Period of Payment. Terms may include longer amortization schedules with balloon payments. Unless otherwise required by the Finance Committee, amortization schedules shall be set up for monthly payments.
- (5) Repayment. Payment of interest or principal may be deferred during the implementation period of the assisted activity if merited in the loan application. Interest shall accrue during the deferment period and may be paid in full or added to the principal amount of the loan. Following the deferral period, interest and principal shall be paid for the remaining term of the loan.
- (6) No Prepayment. No prepayment penalties shall apply.
- (7) Collateral. The City will seek to have the best available collateral position, including a position on personal assets. All persons with a material interest in the applicant shall be required to guaranty the loan.

SECTION 5. APPLICATION PROCEDURES

5.1 DISCUSSION OF REQUIREMENTS

Prior to submitting an application, the applicant shall discuss the program with the City Clerk/Treasurer. The City Clerk/Treasurer may assist the applicant, as is reasonably necessary, in completing the application.

5.2 TIMING

Applications may be submitted at any time during the calendar year.

5.3 PRIORITY

Applications shall be reviewed in the order received and based on readiness for the proposed project to proceed. In the event that loan funds requested exceed available funds for eligible applicants and projects, the following criteria will be used to determine which business(es) will be awarded the loan(s).

- (1) The extent to which private funds are to be leveraged.
- (2) The extent to which jobs are to be created, and the type of jobs and wages.
- (3) The extent to which the loan can be secured.
- (4) Evidence of ability to repay the loan.

- (5) Size of the loan requested.
- (6) Timing of the proposed expenditures.
- (7) Other factors as deemed appropriate.

5.4 LOAN APPLICATION

Applicants shall submit an application using the form available from the EDLP and that includes the following:

- (1) Business Description. A written description of the business, including the following:
 - (a) A description of the existing or proposed business, including when it started or is to start, type of operation, legal structure, markets, and products.
 - (b) Key customers and clients.
 - (c) A personal resume of each principal associated with the business, including number of years of experience in the business; educational background; and role in the proposed or existing business.
 - (d) Three (3) years of financial history (where available) including balance sheets, profit/loss statements, and cash flow statements and accounting notes, or proforma financial statements and personal financial history in the case of startup applicants.
- (2) Project Description. A description of how the business plans to use the requested funds.
- (3) Commitments from Private Lenders. This consists of commitments from all private lenders making loans to the project. Lender commitment letters should include:
 - (a) Description of the type of loan being made by the lender (first mortgage, permanent financing, construction financing, etc.)
 - (b) The amount of the loan, interest rate, term, security, and repayment schedule and amounts.
- (c) Description of the collateral and lien position securing the loan.

These commitments shall be obtained concurrently with the negotiations of the terms and conditions of the EDLP loan.

- (4) Projections. Provide performance (a balance sheet and income statement and cash flow statement). These should cover a three-year period and should be based on the assumption that the business will receive the requested loan.
- (5) Additional Information. Additional information as may be required by the Finance Committee, or the City Clerk/Treasurer.

5.5 REVIEW PROCESS

Specific steps in the review process include the following:

- (1) Preliminary Review. The City Clerk/Treasurer will review the application for completeness and eligibility, and verify that the proposed project meets the minimum requirements provided in Section 3.6. If the application is not complete, the City Clerk/Treasurer will inform the applicant of the deficiencies.
- (2) Formal Review. The Finance Committee will meet to review an application within thirty (30) days of the receipt of a completed application or at some other predetermined schedule. Once the review is completed and the proposal is acceptable for funding, the Finance Committee will forward the proposal to the City Council for final approval.
- (3) Negotiation of Terms. Upon the tentative acceptance by the City Council, the City Clerk/Treasurer, with the advice of the City attorney, will prepare and issue a commitment letter to the applicant setting forth the principal terms of the loan.
- (4) Closing. If the applicant is approved and a commitment letter is signed, a closing will be scheduled to execute the necessary loan documents.
- (5) Rejection of Award. If the application is not approved, the City Clerk/Treasurer will send a letter to the applicant stating the reasons for rejection and offer to meet with the applicant to explore ways to strengthen the loan request or to identify alternative funding sources.

SECTION 6. DISTRIBUTION OF FUNDS

6.1 LOAN PROCEDURES

Prior to releasing funds, the following documentation must be provided:

- (1) Finance Committee Action. The Finance Committee must have reviewed and approved a complete application for an eligible applicant.
- (2) Loan Agreement. The City attorney shall prepare a loan agreement, which shall be executed by the Mayor, the City Clerk and an authorized officer or agent of the borrower and guarantors.
- (3) Promissory Note. A promissory note shall be prepared by the City's attorney and signed by an authorized officer or agent of the borrower at the time of loan closing. The note must be dated; it must reference the agreement between the City and the business; and it must specify the amount and terms of the loan funds delivered.
- (4) Security. Mortgage or lien instruments or personal guarantees provided as security for all loans shall be prepared by the City attorney and executed at the time of the loan closing. The City attorney, or City Clerk/Treasurer, shall record or file the lien instruments and place a copy in the project file to include:
 - (a) Mortgage and/or security agreement.
 - (b) UCC searches and filing.
 - (c) Title insurance or letter report(s) of title.
 - (d) Assignment of Life Insurance Policy.
 - (e) Casualty Insurance binder.
 - (f) Guarantee(s).
 - (g) Other documentation as may be appropriate.
- (5) Repayment Schedule. A loan repayment or amortization schedule shall be prepared by the City Clerk/Treasurer after the loan proceeds are fully disbursed or at the time of closing.
- (6) Evidence of Permits, etc. Documentation must be provided by the applicant that all necessary permits, licenses, and any other registrations required have been obtained by the applicant or guarantors prior to the release of program funds.
- (7) Evidence of Use of Loan Proceeds. Documentation must be provided by the borrower to evidence project costs and use of loan proceeds prior to the release of funds. Documentation shall include bills and invoices or receipts for materials, final bills of sale or canceled checks. All

documentation shall be reviewed and approved by the City Clerk/Treasurer.

- (8) Fixed Equipment. Fixed equipment financed with loan proceeds must have been purchased, delivered, and installed. The City Clerk/Treasurer shall verify the installation of fixed equipment.
- (9) Other Documentation. As appropriate or necessary, the borrower or guarantors may be asked to provide the following:
 - (a) A certificate of status from the Department of Financial Institutions.
 - (b) Organizational documents.
 - (c) A resolution to borrow or guarantee funds and certificate.
 - (d) Current financial statements.
 - (e) Evidence of having secured other funds necessary for the project.
 - (f) An environmental assessment for real estate loans in form and substance satisfactory to the City Clerk/Treasurer.

Once the above documentation is obtained, the City Clerk/Treasurer may schedule a loan closing. All documents will be executed before funds are disbursed, and lien instruments recorded or filed.

SECTION 7. POST APPROVAL REQUIREMENTS

7.1 OBLIGATION OF LOAN RECIPIENT

In addition to the terms and conditions of the loan, all borrowers or guarantors shall agree to comply with the following:

- (1) To use the loan money only to pay the cost of services and materials necessary to complete the project or activity for which the loan funds were awarded.
- (2) To permit inspections by persons authorized by the City of all projects and properties assisted with loan funds. Related project materials shall also be open to inspections, which include, but may not be limited to, contracts, materials, equipment, payrolls, and conditions of employment.
- (3) To maintain records on the project as may be requested by the City. These files shall be maintained as long as the loan is unpaid.

- (4) To submit periodic progress reports to the City Clerk/Treasurer in accordance with the schedule in the loan agreement and in form satisfactory to the City Clerk/Treasurer.
- (5) To maintain fire and extended coverage insurance, including flood, on the project property required during the term of the loan. The City shall be listed as Loss Payee, Mortgagee, or "additional" insured on the policy. Term life insurance may be required to cover the loan balance through life of the loan.
- (6) To comply with all applicable laws.

SECTION 8. PERFORMANCE MONITORING

8.1 PRIVATE LEVERAGE COMMITMENTS

The City Clerk/Treasurer shall monitor the use of the funds and expenditure of private leverage commitments. Documentation may include invoices or receipts for materials and supplies, letters from lenders, final bills of sale, and canceled checks.

8.2 HIRING OF NEW EMPLOYEES

The City Clerk/Treasurer shall monitor the borrower's or guarantor's progress in meeting any agreed upon job creation or retention goals and document job creation using payroll records. Before project and after-project payroll records should be provided by the borrower or guarantor to document job creation.

8.3 DEFAULT

In the event the borrower or guarantor is in default on any of the terms and conditions of the loan agreement all sums due and owing, including penalties, may, at the City's option, become immediately due and payable.

SECTION 9. USE OF LOAN REPAYMENTS

9.1 EDLP

Repaid loans shall be re-deposited into the Economic Development Loan Program account and used in a manner consistent with this EDLP Manual. A separate accounting record for each loan shall be kept to account for all funds loaned. The EDLP account shall be managed to avoid the loss of the de-federalized status of the funds.

Funds from the EDLP account may not be returned to the General Fund. Repayments from EDLP loans may not be used for any purpose other than in furtherance of the fund unless the Council votes to terminate the EDLP.

SECTION 10. LOAN SERVICING

10.1 MONITORING

The City Clerk/Treasurer shall monitor each loan to ensure compliance with the loan terms and conditions and to monitor the financial health of the borrower and guarantors to insure continued repayment of the loan. The monitoring will also ensure that all recordkeeping requirements are met particularly in regard to any job creation and expenditures of matching funds.

A loan servicing file shall be established and maintained for each loan recipient that includes all written correspondence; a record of important telephone conversations; a list of applicable loan covenants; certificates of insurance required by the loan documents; and documentation of any job creation and retention.

10.2 RECORDKEEPING

In addition to the above, the EDLP financial management records should include the following information:

- (1) An Economic Development Loan Program Register that records all deposits and disbursements to and from the EDLP, including funds used for EDLP administration.
- (2) A Loan Repayment Register that records repayments made by each borrower which has received a loan from the EDLP and loan balances. Each register contains the borrower name, loan date, loan amount, terms, and date repayment begins. Payments are divided into principal and interest payments with a declining principal balance.