GRAFTON
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Village of Grafton

Economic Development Revolving Loan Fund

Program Policies and Procedures Manual

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I. General Provisions

A. Title. These regulations shall hereafter be known, cited, and referred to as the Economic Development Revolving Loan Fund Program Policies and Procedures for the Village of Grafton, Wisconsin.

B. Purpose. These regulations have been established to set forth the criteria which will govern economic development activities to be assisted with funds made available through the Village's Economic Development Revolving Loan Fund Program (hereinafter referred to as the Program).

C. Objectives. Economic development activities assisted with funds made available through this program are intended to meet the following objectives.

   i. To maintain and promote a diverse mix of employment opportunities and to minimize seasonal or cyclical employment fluctuations.

   ii. To encourage the creation and retention of permanent jobs which represent a range of wage scales approximate to the skills and experience of the area labor force.

   iii. To encourage the leveraging of new private investment in the community in the form of fixed asset investment particularly in land and buildings.

   iv. To maintain a positive business climate which encourages the retention and expansion of existing business and industry and helps to attract desirable new business and industry.

   v. To encourage the development of modern technology and create safe and healthful work environments.

D. Amendments. The village board may from time to time amend the provisions imposed by the policies and procedures contained within this manual.

II. Administration

A. Program rolls.

   i. The Village Board shall establish over all policies and procedures for implementing the program, review and evaluate all loan applications, approve or disapprove requests for funds, and resolve complaints or disputes within the program.

   ii. The Executive Director of Ozaukee Economic Development (hereinafter referred to as the Loan Administrator) shall explain the program to prospective applicants, furnish written information, assist applicants if necessary in completing applications, and process all requests for funds.

The Loan Administrator shall also review all financial statements and loan amortization schedules, review and approve documentation of program expenditures, record security and instruments, and maintain a separate accounting record.

iii. The Program Attorney shall prepare all loan agreements, review all promissory notes and mortgage or lean instruments, and advise the Village Board on default matters. Any loans of $25000 or less shall utilize standardized loan documents.

iv. The Village Building Inspector shall verify the installation of all fixed equipment financed with program funds.

B. Records. Written records of all program activities including minutes of meetings loan applications and related documents shall be maintained in the office of the village administrator. All individual project files shall be maintained as confidential records. Legal counsel shall be consulted in regard to compliance with state and municipal open records laws. The following files shall be established and maintained for each loan recipient.

i. Loan application. This file contains all application business financial statements personal financial statements credit reports business plan documents and other supporting lone information submitted to the village including all applicable correspondents.

ii. Loan recommendation. This file contains a summary of the analysis's recommended action for the application and a copy of the minutes from the finance committee meeting summarize the action taken on the loan request.

iii. Loan closing. This file contains copies of all loan closing documents including security instruments, the note and other applicable correspondence. The Village's legal counsel shall be involved in helping create and complete this file to ensure complete loan documentation. Copies of loan closing documents and the amortization schedule will be provided to the loan recipient, along with an invoice, if applicable, for loan closing and servicing fees.

iv. "Tickler File" System: A tickler file system shall be established and maintained to ensure that loan repayments, financial information, the loan agreement, UCC updates, and other time sensitive documentation requirements are tracked and obtained as required. The system shall include the following monthly coded index files:

1. Expiration dates for property, casualty and life insurance policies;

2. Due dates for all financial statements;

3. Expiration dates for UCC financing statements, the reminder to update being at least 45 days prior to the expiration of the UCC filing on hand;
4. Scheduled dates of annual loan performance and covenant reviews;
5. Dates for site visits;
6. Due dates for property tax payments and dates by which the community expects to hear from the borrower regarding confirmation of payment of taxes;
7. Review dates for job monitoring; and
8. Dates on which loan recipients will be notified of scheduled changes in the loan amortization scheduled per loan agreements.

v. Financial Statement. This file contains the business' periodic financial statements as required by the loan covenants with a statement indicating that the RLF administrator reviewed the data.

vi. Progress Report. Loan recipients are required to submit periodic progress reports during the outstanding term of the loan. The Community shall make periodic site visits to verify information in the progress report and financial statements. These site visits shall be documented for the file.

vii. Site Visit. Site visits shall be conducted periodically to each loan recipient, the scheduling of which depends on the nature of the project. A summary of the site visits will be placed in the file, particularly highlighting any information that can help in rating the overall condition/risk of the loan.

viii. Repayment Monitoring. This file includes the loan amortization schedule, status of payments, and the outstanding balance of the loan. Observations suggesting concerns or problems shall be reported to the Finance Committee and notations shall be placed in the tickler file to remind the administrator of the need to provide continued monitoring. If payments are made to an office (i.e. clerk's), the file will contain receipts of payments and there will be a system in place to ensure the timely notification of payments to the Loan Administrator. The Village Administrator or designee will notify the loan recipient in writing of the deficiency and the action that will be taken should the payment not be made. Should there be a late payment, the Community will contact the loan recipient to determine the reason for the delayed payment. Contact may need to be made with other participating lender(s) to determine if their loans are current and to alert the lender of a potential problem. All payments shall be applied first to accrued late payment penalties, then to interest accrued and then to principal.

ix. Loan Review. All loans are to be reviewed on an annual basis and at such other times as may be deemed necessary by the Village. The review shall follow receipt of the fiscal year-end financial statements, the year-end progress reports, and site visits. A report on the loan review shall be 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 or lawsuits; and violations of loan covenants and suggested corrective actions.

1. If the business is experiencing problems with any of the above criteria, the Loan Administrator is to 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 Community's interest and meet the needs of the business. If appropriate, the Administrator will arrange for business assistance, including services available through the University of Wisconsin-Extension, Small Business Development Center (SBDC), the Service Corp of Retired Executives (SCORE), and other entities having an interest in serving the needs of businesses.

2. In the event the findings of the loan review suggest serious problems, particularly if the loan is at risk for default, the account shall be turned over to the Community attorney for legal action in order to initiate steps necessary to protect the loan and to ensure the maximum repayment of the balance due. Again, corrective actions may be achieved through restructuring or if necessary, foreclosure actions.

C. Administrative Costs.

i. Up to 15 percent of the funds available each year may be used for direct loan administration costs, including the following:

1. Legal costs and fees for loans of $25,000 or more will be charged back to applicants. To minimize costs, loans under $25,000 will use standardized documents.
2. Consulting fees for credit analysis, business plans reviews and technical assistance.
3. Office supplies, copying, typing, mailing, and related expenses.
4. Training costs.

ii. To generate additional revenue to cover administrative costs, the Village may establish loan origination fees, closing fees, servicing fees, and other fees to cover charges directly related to either processing an application or servicing a loan. All fees collected shall be deposited in the RLF.

III. Eligibility

A. Eligible applicants.
   i. Applications may be submitted by the sole proprietor or CEO of any business or industry wishing to expand an existing operation or establish a new operation in the village of Grafton.
   ii. No member of the village board or any other official employee or agent of the village who exercises policy decision making functions or responsibilities in connection with the implementation of this program are eligible for financial assistance under this program.
   iii. No program loans will be made at which are in conflict with section 946.13 of Wisconsin statutes private interests and public contract prohibited.
   iv. Applicate applicants shall not be disqualified at based on age, race, religion, handicap, sex, physical condition, developmental disability, sexual orientation, or national origin.

B. Eligible activities. Program loans shall be available to eligible applicants for the following activities:
   i. The acquisition of land and buildings.
   ii. The construction, reconstruction, or installation of buildings, fixed equipment, and site improvements.
   iii. The clearance, demolition, removal, or rehabilitation of buildings and improvements.
   iv. The payment of assessments for sewer, water, street, and other public utilities, if the provision of the facilities will directly create or retain jobs.
   v. Acquisition of inventory.
   vi. Acquisition of equipment including specialized technology.

C. Ineligible activities. Program loans shall not be available for the following activities:
   i. Payroll costs.
   ii. Refinancing or consolidating existing debt or reimbursement for expenditures made prior to loan approval.
   iii. Specialized equipment that is not essential to the business operation.
   iv. Residential building construction or reconstruction (unless such reconstruction is intended to convert the building to a business or industrial operation).
   v. Routine maintenance.
   vi. Professional services such as feasibility and marketing studies, accounting, management services, and other similar services. Legal services incurred in the closing of a RLF loan are eligible.
   vii. Other activities that the Village Board may identify during the administration of the program.

D. Ineligible businesses. Program loans shall not be available for the following businesses: speculative investment companies, real estate investment companies, lending institutions, gambling operations, and other businesses not serving the interests of the Village.

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

i. Private Funds Leveraged. The applicant must leverage a minimum of one dollar of private funds for every one dollar of loan funds requested. Higher leverage may be required at the discretion of the Village Board.
ii. Funds available. All loans must have either job creation or job retention. Eligible funds per project range between $10,000 and $35,000 per full-time job created or retained.
iii. 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.
iv. Location. Activities financed under the Program must be located within the Village of Grafton corporate limits.
v. Availability. All Jobs must be made available to all people, which means the borrower's hiring practice must include the posting of available positions with the local job service office or workforce development board.
vi. Compliance with Applicable Laws. Applicants shall comply with all applicable local, state, and federal laws and codes.
vii. Project Completion. Projects shall be completed within 24 months from the date of the loan approval. Applicants shall provide the Community a project implementation schedule not exceeding 24 months for project completion and job creation, and maintain the positions created for 24 months.

IV. Application Procedures

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

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

i. Eligibility of the applicants.

ii. Eligibility of the project to be undertaken.

iii. The extent to which private funds are to be leveraged.

iv. The extent to which jobs are to be created, and the type of jobs and wages.

v. The extent to which the loan can be secured.

vi. Evidence of ability to repay the loan.

vii. Size of the loan requested.

viii. Timing of the proposed expenditures.

ix. Completeness of the application.

x. Other factors as deemed appropriate by the Finance Committee.

C. Loan Application. Applicants shall submit a loan package consisting of the following information:

i. Application. A completed application form, as provided by the Loan Administrator or Village Staff.
ii. Business Plan. A written description of the business, including the following: A brief history of the existing or proposed business, including when it started or is to start, type of operation, legal structure, markets, and products. Key customers and clients. A brief personal resume of each principal associated with the business, including professional experience, experience relating to the proposed project, educational background, and personal involvement in proposed or existing business. Three years of financial history including balance sheets, profit and loss statements, cash flow statements and accountant notes.
iii. Project Description. A description of how the company plans to use the requested funds.
iv. Commitments from Private Lenders. Include documentation of commitments from all private lenders making loans to the project. Lender commitment letters should include: Description of the type of loan being made by the lender (first mortgage, permanent financing, construction financing, etc.). The amount of the loan, interest rate, term, security, availability, repayment schedule and amounts.
v. Projections. Provide proformas (a balance sheet & income statement and cash flow statement). These should cover a 3-year period and should be based on the assumption that the business will receive the requested loan.
vi. Additional Information. Additional information as may be needed.

D. Review process. Specific steps in the review process include the following:

i. Preliminary Review. The Village and the Loan Administrator will review the application for completeness and verify that the proposed project meets the minimum requirements provided in Section ___. If the application is not complete, the applicant will be informed of the deficiencies.

ii. Formal Review. The Finance Committee and Village Board will meet to formally review the application.

iii. Notice of Award. If the application is approved, a meeting will be arranged to execute the necessary loan closing documents. If the application is not approved, the applicant will be notified.

E. Conditions. Minimum standards include:

i. Loan amount. Loan amounts are subject to the availability of funds. The minimum loan amount shall be $10,000; the maximum loan amount is at the discretion of the Village Board.

ii. Interest Rate. The interest rate may be fixed or graduated on a fixed schedule. Interest rates will be set at either time of the contract or application. The interest rate shall be set by the Village Board, however, will normally follow the guideline of half of prime to 2 percent above prime.

iii. Term. All loans will have a maximum term of ten years. Smaller terms may be set for loans under $50,000. In any case, the loan shall not have a term longer than the terms of the other private financing in the project.

iv. Period of payment. Term may include longer amortization schedules with balloon payments. Amortization schedules shall be set up for monthly payments

v. Amount of Payment. Payment of interest and/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.

vi. Prepayment. There shall be no prepayment penalties.

vii. Collateral. The Village will seek to have the best possible collateral position possible to ensure that RLF loans are adequately secured.

V. Post Approval Requirements

A. Distribution of funds: Prior to releasing funds, the following terms and conditions must first be met:

i. Evidence of Program Expenditures. Documentation must be provided by the business to evidence program expenditures prior to the release of funds. Documentation shall include invoices, receipts for materials, approved requests for payment, final bills of sale or canceled checks. All documentation shall be reviewed and approved by the Village Administrator.

ii. Fixed Equipment. Fixed equipment financed with Program funds must have been purchased, delivered and installed. The Village Building Inspector shall verify the installation of fixed equipment.

iii. Loan Agreement. The Program Attorney shall prepare a loan agreement which shall be executed by the Village President and Chief Executive Officer of the business.

iv. Promissorv Note. A promissory note shall be prepared by the Program Attorney. The promissory note must be signed by the Chief Executive Officer of the business at the time of the loan closing. The note must be dated; it must reference the agreement between the Village and the business; and it must specify the amount and terms of the loan funds delivered.

v. Repayment Schedule. A loan repayment schedule shall be prepared by the loan administrator.

vi. Security. Mortgage or lien instruments or personal guarantees provided as security for all loans shall be prepared by the Program Attorney and executed at the time of the loan closing. The Program Attorney, or Administrator, shall record the instrument and place a copy in the file to include:

1. Mortgage and/or security agreement.
2. UCC searches and filing.
3. Guarantee agreement.
4. Title insurance or Abstract.
5. Assignment of Life Insurance.
6. Casualty Insurance binder.
7. Personal guarantee.
8. Other documentation as may be appropriate.

vii. 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 prior to the release of program funds.

B. Obligations of loan recipient. In addition to the terms and conditions of the loan, all loan recipients shall agree to the following:

i. The creation or retention of the agreed upon number of jobs within 24 months of the date of the execution of the loan agreement with the Village.

ii. Not to discriminate on the basis of age, race, religion, handicap, sex, physical condition, development disability, sexual orientation or national origin in any employment or construction activity related to the use of the business loan funds.

iii. 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.

iv. To permit inspections by persons authorized by the Village 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. Requests for inspection shall be complied with by the borrower.

v. To maintain records on the project as may be requested by the Village. These files shall be maintained as long as the loan is active or for at least three (3) years after completion of the work for which the loan has been obtained, whichever is longer.

vi. To submit periodic progress reports to the Administrator in accordance with the schedule in the loan agreement. These reports shall report on project progress including number of jobs created or retained during the loan agreement. To maintain fire and extended coverage insurance on the project property required during the term of the loan. The Village shall be listed as Loss Payee, Mortgagee, or "additional" insured on the policy. Term life insurance may be required of the applicant to cover the loan balance through the life of the loan.

C. Private leverage commitments. The Loan Administrator shall monitor the use of funds and the 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.

D. Hiring of new employees. The Loan Administrator shall monitor the hiring of new employees. Job creation must be documented using payroll records. Beforeproject and after-project payroll records should be provided by the borrower to document job creation. Failure of the business to provide the targeted number of jobs may be a condition for default unless the business can show it made a good faith effort to create the targeted number of jobs but did not succeed due to reasons beyond its control.

E. Default. Failure by the business to make any payment of principal or interest within 30 days after the payment is due and payable shall be considered a default. In the event of a default, all sums due and owing to the Village shall, at the Village's option, become immediately due and payable. To exercise this option, the Village Attorney and shall prepare a written notice to the company. The notice shall specify the following:

i. The default.

ii. The action required to cure the default.

iii. A date, not less than 60 days from the date of the notice, by which the default must be cured to avoid foreclosure or other collective action.

iv. Any penalties incurred as a result of the default, jobs, etc.

v. Monitoring.

vi. Record keeping.

F. Monitoring. The Loan Administrator shall monitor each loan to ensure compliance with the loan terms and conditions and to monitor the financial health of the business to ensure continued repayment of the loan. The monitoring will also ensure that all recordkeeping requirements are met particularly in regard to job creation and expenditures of matching funds.

G. Record keeping. In addition to the above, the RLF financial management records must be comprehensive and designed to provide the following information:

i. A Revolving Loan Fund Register that records all deposits and disbursements to and from the RLF, including funds used for RLF administration.

ii. A Collection Register for every loan made. Each register contains the business name, loan date, loan amount, terms, and date repayment begins. Payments are divided into principal and interest payments with a declining principal balance.

iii. RLF Loan Repayment Registers that record repayments made by each business, which has received a loan from the RLF. It also tracks the balance of repayments from all loans from the RLF.