

## **GALLATIN COUNTY REVOLVING LOAN FUND (2002)**

### **APPLICANT INFORMATION AND MANAGEMENT PLAN SUMMARY**

In 1988 Gallatin County sponsored an Economic Development application to the Montana Community Development Block Grant Program on behalf of Life Link International. Pursuant to the Project Income Plan attached to this application, when loan repayment amounts exceeded \$100,000 a new Gallatin County Revolving Loan Fund was established in 1998. For 2002, loans will be considered for amounts no less than \$50,000 and not to exceed \$200,000. The focus of the Gallatin County Revolving Loan Fund (RLF) is to create or retain employment for low and moderate-income persons, not to create or retain low to moderate-income jobs. The program's goal is to increase the opportunity for low to moderate income Gallatin County area persons to better their employment situations and income levels.

**The RLF Board:** The RLF Board shall be comprised of the following:

One member of the CPA Profession	(3 Year Terms)
One member of the General Public	(3 Year Terms)
One member of the Banking Profession	(1 Year Terms)
One member of the Legal Profession	(2 Year Terms)
One member of the Business Profession	(2 Year Terms)

#### **The Commission Has Also Appointed A County Liaison/Administrator**

The County Revolving Loan Fund Administrator is Larry Watson, 311 West Main Room 102 B, (406)582-3192.

#### **Solicitation of New Projects:**

Applications for new projects must be presented to the Gallatin County Grants Administration Department, 311 West Main, Room 304, Bozeman, MT 59715. Contents of the envelope must be clearly identified (RLF LOAN) on the outside of the envelope and applications must be accompanied by a \$100.00 non-refundable application fee (Check made payable to the Gallatin County Treasurer).

**Applications are to be submitted in adherence with the Business Application Requirements outlined in the 2002 Montana Community Development Block Grant Program Economic Development Application Guidelines. This entire document can be obtained from the Montana Department of Commerce. Applicants must use the Economic Development Application Form published as Appendix A of the aforementioned document.**

The RLF Board will meet within two weeks of the closing date for receipt of proposals. At this time the RLF Board will review, evaluate and discuss the applications received and vote on a recommendation to the County Commission. The RLF Administrator will notify applicants in writing of the RLF Board's recommendation. The Commission will hear the RLF Board's recommendation at a regularly scheduled Public Meeting. The Gallatin County Commission will take comments at the hearing regarding the selected applicants.

### **Types of Projects:**

To every extent possible RLF monies will be committed as loans for the purpose of Economic Development Activities.

### **Loan Criteria:**

The primary criteria for consideration of loans shall be compliance with the Montana Community Development Block Grant Program. In addition, general criteria for loan consideration will be the amount of the return, the prospects for a quick and secure recapture, overall community benefit, benefits to low and moderate income persons, and environmental impacts. The following criteria also apply:

1. Geographical location of the Business: The applicant shall locate its business within Gallatin County outside of the established Bozeman and Belgrade Master Plan Areas. If the applicant is not located or intending to locate in the Gallatin County RLF Project area, the applicant shall be disqualified. (See Attached RLF Project Area Map).
2. Types of Loans: A preference will be shown for Fixed Asset Loans, Working Capital Loans will receive lower priority. Pure Equity Loans will not be considered.
3. Expansion Preferred Over Startups: Expansion or relocation of an existing business is preferred over business startups.
4. Tax benefit to County: A preference will be given to businesses that will provide a tax benefit to the county.
5. Benefit to Low and/or Moderate Income (LMI) Persons: In order to be eligible for RLF assistance, the applicant must demonstrate that a minimum of 51% of the jobs to be directly created or retained by the economic development activity are or will be made available to LMI individuals. The program goal is to increase the opportunity for LMI individuals to better their employment situations and income levels. Applicants must include a letter indicating the firm's commitment to hiring LMI individuals to fill this requirement.

The RLF Board will use full time annual equivalent positions as a basis for evaluation (equals 2080 hours per year). If part-time or seasonal employment is proposed, then the proposal must include an estimate of the number of hours to be worked on an annual basis for each position. **At a minimum, one full time LMI job must be created for every \$25,000 in RLF funds received.**

6. Business Plan: All applicants must submit a Business Plan. The Business Plan must contain sufficient information for the RLF Board to obtain an adequate understanding of the firm to be assisted, including the products or services offered, estimated market potential, management experience of the principals, current financial posture, and details of the proposed venture. The Business Plan must contain the following elements:
  - a)Business Description, Include a description of the company or enterprise and an explanation of products or services offered
  - b)Management: Provide the names, titles, and resumes of each of the principals responsible for the management of the business.
  - c)Market: Discuss the present or proposed market area and share, as well as future projections, and provide an explanation of how the information was developed (for example, contracts, letters, or other evidence of interest in the product(s)/services by potential buyers or distributors) especially if sales projections indicate annual increases exceeding 25%.
  - d)Sources and Uses of All Funding: This section would discuss the source, use, and terms of all funds to be included in the project.
  - e)Financial Statements: Balance Sheet, Profit & Loss Statement, Reconciliation of Net Worth **(For the three most recent years of operation)**
  - f)Earnings Projections: Balance Sheet, Profit & Loss Statement, Cash Flow Statement **(Projections for three years, projected monthly cash flow for one year)**
  - g)Debt Schedule: provide description of all projected debts and lenders, annual debt service amounts, and any related loan documents.
  - h)Working Capital Needs: Provide information on working capital needs and verify through cash flow projections showing changes in inventory and receivables.
  - i)Personal Balance Sheets: Provide Balance Sheets for each individual with 10 percent or more ownership in the proposed project.
7. Loan Rates/Terms: Interest rates are negotiable, but at a minimum, should not be lower than either the lesser of five percent or 50 percent of the rate for U. S. Treasury Bonds of like or similar maturity to the terms of the proposed RLF loan, on the date 15 days prior to the application deadline. Loans for less than 5% will not be considered unless it can be conclusively demonstrated that a lower rate is essential to the economic viability of the project. A preference will be given to providing loans with shorter terms and higher interest rates. Loans for more than 10 years will not be encouraged. Loans for more than 20 years will not be considered.

8. **Loan Security:** All loans must be secured with fixed assets (ie. land, buildings, and capital equipment) and/or other personal guarantees. Working capital or other capital will be considered. RLF funds may be placed in a subordinated security position to other lenders involved in the project. Applicants must include documentation for the value of collateral offered for security and a description of all security held by lenders. Preference will be given to applications that increase the County's position to other lenders.
9. **Deferral of Payments/Interest:** Repayment of principal may be deferred up to three years. Repayments of interest may be deferred up to three years. Preference will be given to applications without deferral periods or which limit the time period requested for deferral.
10. **Credit Report:** A current non-mortgage credit report, from the local Credit Bureau, shall be provided and paid by the applicant.
11. **Application Fee:** The applicant shall pay a \$100.00 non-refundable application fee when submitting the application for consideration. Checks should be made payable to the Gallatin County Treasurer.
12. **Private Sector Commitments:** Applications should be submitted only for those projects that are ready to proceed pending receipt of RLF funds. We encourage that funding from other lenders or investors are confirmed prior to application to Gallatin County for RLF monies.
13. **Environmental Impacts:** This factor is intended to minimize the adverse effects of environmental impacts on the County and surrounding areas.
14. **Letters of Commitment:** Letters of commitment from the firm to be assisted should be submitted with the application and must:
  - be on a letterhead of the firm and signed by an official of the firm authorized to commit the organization
  - provide a clear statement of the firm's concept of the project (ie. location, scope, cost)
  - specify the nature of the commitment (e.g. Amount by lender, amount of borrower's commitment, type and size of the project, number of jobs to be created, commitments to hire LMI individuals, etc.); and
  - state a willingness of the firm to sign a legally binding commitment upon loan award.

NOTE: Letters of commitment from lenders must also be submitted and must specify the amount and type (for example, interim construction financing) of the loan being provided for the specific activity to be undertaken. The commitment should be binding, contingent only upon receipt of RLF funds.

## **SUGGESTIONS TO APPLICANTS**

A higher score on evaluation preferences will likely result when:

- the applicant has demonstrated a high relation of private investment in relation to RLF dollars requested;
- the applicant has demonstrated that the level of RLF and non-RLF investment is appropriate and reasonable for the type of jobs to be retained;
- leverage funds are predominately private sector investment through bank loans and state and federal guaranteed loans rather than grants;
- the amount of non-administrative RLF funds requested is less than \$25,000 per full time equivalent job;
- the applicant has demonstrated that the firm to be assisted has a high potential for growth and future job creation;
- the applicant has clearly justified the claimed number of jobs to be created as a result of the project;
- the economic development activity proposed would foster the creation or saving of permanent full-time employment for LMI persons, which offers those persons an opportunity for advancement;
- the applicant has demonstrated that a high level of positive economic benefit to the community will likely result;
- the applicant's hiring and training plan provides clear, complete procedures for outreach, recruitment, screening, selection, training, and placement of workers which will ensure maximum access for local residents, particularly LMI individuals, to job created by the project; and
- responsibility has been assigned for phases of the program and all necessary personnel and funding commitments have been received, contingent only upon receipt of RLF funds.