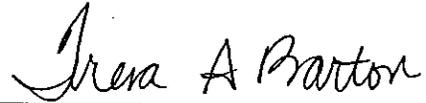


**ORDINANCE NO. 99-3**

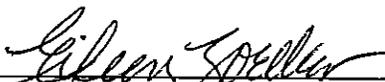
**ORDINANCE ESTABLISHING REVOLVING FUND**

BE IT HEREBY ORDAINED by the Franklin County Fiscal Court, that a Revolving Fund is hereby established for the County and that the rules and regulations attached hereto are adopted as is fully copied herein:



\_\_\_\_\_  
County Judge/Executive

Attest:

  
\_\_\_\_\_  
Fiscal Court Clerk

1<sup>st</sup> Reading: 4/2/99

2<sup>nd</sup> Reading: 4/15/99

**FRANKLIN COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY**  
**REVOLVING LOAN FUND**

**I. Goals and Objectives**

A goal of the Franklin County Industrial Development Authority (FCIDA) is job creation and retention. The Franklin County Industrial Development Authority Revolving Fund (RF) represents one effort to achieve this goal.

Objectives of the FCIDA are to (1) approve projects that are sound and capable of repaying their loan, and (2) to maximize earnings through investment. These objectives will help maintain and ensure the growth of the fund for use by future prospective businesses.

Since all or a portion of the funds in this program were made available through the Kentucky Community Development Block Grant (CDBG), close adherence to requirements of that program and specific grant agreement(s) with the Commonwealth is required. Special attention must be given when funds to be used were received by the FCIDA prior to closeout. Such federal requirements as Davis-Bacon and LMI provisions may apply.

The following policies and procedures are adopted to ensure a consistent and thorough review of all proposals in order to achieve the above objectives.

**II. Organization**

**A. Establishment of Revolving Fund Board**

The FCIDA Board will serve as the Revolving Fund (RF) Board. Its six (6) members are representative of a cross section of area leaders with experience and expertise in business finance and economic development. Members are appointed by the County Judge/Executive with approval by the Fiscal Court.

The RF Board will establish, evaluate and carry out policy, establish conditions and recommend disposition of loans under the RF.

The Chairman shall serve as Fund Manager and will act as liaison between potential borrowers and the RF Board of Directors. The Chairman may delegate his authority or request assistance as needed.

In addition, three (3) members of the Board will serve as a Review Committee. This Review Committee will, with the assistance of the RF Manager, review all requests and make recommendations to the full Board regarding the various requests.

**B. Processing Fees**

No fee shall be charged for processing a loan application.

**C. Technical and Managerial Assistance**

A CDBG consultant with knowledge of CDBG procedures may be hired to provide technical and managerial assistance to the RF Board and potential applicants.

**D. Servicing of Loans**

The Franklin County Revolving Fund will not directly engage in the servicing of its portfolio. The Board will negotiate with local banks, which possess the necessary skills to service the loans.

**E. Monitoring of Projects**

The RF Manager will conduct a monitoring visit of each project at least twice a year to determine if there are any problems that jeopardize the project. The RF manager and servicing agency will keep each other informed about any potential problems they may encounter. If they so desire, the Board may request periodic financial reports from the company as a condition of project approval.

**F. Solicitation of Projects**

The Franklin County Revolving Fund will recruit potential borrowers through several methods. The RF Manager will actively solicit participation through private lenders, referrals from the Kentucky Development Finance Authority, Community Development Block Grant Program, CCE/IDA and other sources as appropriate. These Development agencies will be in the position of making RF program information available to various enterprises with which they have contact.

**III. Eligibility Requirement**

**A. Eligible Applicants**

- a. The applicant must be a registered sole proprietorship, partnership, or corporation (profit or non-profit) established for the purpose of doing business in Franklin County.

- b. Character references will be required. References may include creditors, past employers or others who possess knowledge of the applicant. The applicant must possess good character and reputation.

**B. Eligible Projects**

- a. Loans/grants for acquisition and assembly of land for industrial or commercial use
- b. Loans/grants for acquisition of properties with redevelopment potential for industrial or commercial use
- c. Loans for the start-up and/or expansion of industries
- d. Loans for the rehabilitation and renovation of usable vacant buildings for specific industrial or commercial use
- e. Microenterprise loan pool and technical assistance
- f. Grants for off-site development to assist industries or commercial businesses
- g. Speculative development including building acquisition and construction
- h. Collateral for other eligible activities
- i. Eligible activities not directly related to job creation

**C. Ineligible Projects**

- a. Businesses serving alcoholic beverages
- b. Rolling stock, i.e., trucks, forklifts, automobiles
- c. Loans to retire existing debt
- d. Working capital
- e. Business activity located outside the boundaries of Franklin County
- f. Any other projects determined not to be in the best interests of the citizens of Franklin County

#### D. **Eligible Costs**

Loans and grants made under the RF can be used to finance:

- a. Land costs – all costs related to the acquisition and development of land for industrial or commercial use.
- b. Building costs – all costs associated with acquisition, construction and/or rehabilitation of buildings for industrial or commercial use, including leasehold improvements.
- c. Machinery and equipment costs – all related costs associated with the acquisition and installation of machinery and equipment.
- d. Facility development costs – costs for facility development, necessary for project completion (i.e., water lines, sewer lines, access roads).
- e. Microenterprise Loans – *Businesses that create 20 jobs or less and a ceiling loan of \$150,000 or less.*

#### IV. **Loan Review Factors**

The following factors will be considered in the loan review process for all RF loan applications:

- A. Highest priority will be given to projects creating at least one job per every \$10,000 of RF monies. Except under exceptional circumstances, the RF will not consider projects where the ratio exceeds \$20,000 per new long-term job created. Jobs used for purposes of this ratio are those existing at the end of two years after start-up. Construction jobs in the building of a facility are not included.
- B. Highest priority will be given to projects in which RF funds do not exceed thirty-three percent (33%) of total project cost. Except under exceptional circumstances, the RF will not consider projects, which exceed fifty percent (50%) of total project cost.
- C. No RF loans shall be made if funding is otherwise available from private lenders on terms that would allow for the successful completion of the project.

#### V. **Terms and Conditions**

The RF shall exercise flexibility in negotiating terms with the participating financial institutions. The following conditions, however, are set as minimum guidelines.

- A. All rates and terms for the RF funds will be based upon a financial analysis conducted under the Community Development Block Grant appropriate criteria.
- B. The RF reserves the right to sell their interest in a loan package where the Board deems advisable.
- C. The RF *may accept a subordinate collateral position on assets financial with RF funds and other funds. The RF may provide deferral provisions for either principal and/or interest for RF financial assets.*
- D. Liens will be taken covering all assets. A subordinated position will not be accepted where an inordinate amount of risk is evident.
- E. Personal guarantees may be required of owners who control at least 20% of the company.
- F. The RF will impose the following maximum term requirements and restrictions on loans:

Maximum length of terms:

- 1. Real Estate - - 20 years.
- 2. Machinery and equipment - - 10 years or the usable life of the equipment.
- 3. Inventory/Other - - 5 years.

- G. Rates will be negotiated by the RF Board.
- H. A thorough credit analysis will be undertaken prior to negotiating loan terms. In negotiating terms for potential borrowers, terms will not be made that cannot feasibly be met.

## VI. Application Procedures

**NOTE:** An Application is not required for Public Infrastructure and Non-Profit Development.

### A. Initial Meeting

The initial meeting that the RF Manager will conduct with a potential borrower will be to determine eligibility, generally discuss the project, and explain the application process and required information. Projects which are ineligible or which do not look strong should be referred to proper funding sources or discouraged

from applying. The *RF* Loan Manager will indicate that the following items will be required from the applicant prior to the next meeting.

- a. A brief description of the request, including total project cost, amount of loan requested, purpose of loan and terms requested.
- b. Three-year historic financial statements, if applicable.
- c. Financial data – five year pro forma projections.
- d. An economic impact statement, including the number and type of jobs to be retained and/or created at the end of two years.
- e. A market/business plan delineating past performance and assumptions used as the basis for sales projections.
- f. Any other *necessary* items requested of applicant by the *RF* Manager or Board.

#### B. Loan Application Process

The *RF* Loan Manager and the potential borrower will structure the loan package. The borrower will be issued full information on the loan selection criteria and full information regarding standard conditions and federally required assistance and conditions.

Upon determination of applicant eligibility, the borrower will complete the Application Form. In conjunction with these cited standard forms, the *RF* Board of Directors shall request the following information, much of which will be included as part of the applicant's business plan. Note: The standard *Department for Local Government (DLG)* Approval For Use Request, Exhibit I (excluding certifications) can be used in this procedure.

- a. Financial information, which shall include:
  1. Current financial statement, including balance sheets, income statements with footnotes, and supporting statements for the applicant's three (3) most recent fiscal years, where applicable, and consolidated financial and income statements, with footnotes, of any parent company for the three (3) most recent fiscal years, where applicable.
  2. Most recent interim financial statements of the applicant, and, if applicable, of its parent company, certified by officers

of the respective companies and maintained current during the loan application process.

3. Project pro forma balance sheets, income statements, cash flow, and supporting statements of the applicant. Such statements and balance sheets should reflect the applicant's ability to repay debt from earnings.
- b. Such non-financial information as the RF Board of Directors deems necessary to substantiate the pro forma projections. These may include, but not be limited to:
    1. Estimates, quotations, receipts, contracts, orders, invoices, leases or equivalent documentation from architects, engineers, contractors, subcontractors, material suppliers, *lessor*, or others involved in the sale, lease, or construction of fixed assets, if any, for applicant's project, including schedules of implementation.
    2. Any backup information regarding the applicant's operating costs, including projected employment by job category and applicable wage rate, cost and availability of raw materials and energy.
  - c. General information about company management capabilities, including resumes of top management and detailed marketing strategies.
  - d. Such additional information as the RF Board of Directors may require regarding collateral, appraisals, valuations of non-profit assets and guarantees.
  - e. Completed application.

## VII. Selection and Approval of Projects

### A. Application Review and Evaluation

Upon completion of the RF full application, the RF Loan Review Committee will carry out a review and submit its recommendation for approval or disapproval and the basis for such recommendation to the full Board. The RF will then consider the recommendation made by the RF Review Committee. The Board may solicit or allow additional comment or advisement if it so desires. The Board shall then make its recommendations to the Fiscal Court to approve or deny the project. The RF Board of Directors will utilize and fully consider all loan selection criteria to ascertain whether the proposed project is consistent with the economic development strategy for Franklin County. The RF Board will determine whether

all project requirements can be met and shall apply their financial experience and judgement to the project having considered all available information.

**B. Fund Board Approval**

The RF Loan Review Committee shall submit a copy of the Approval for Use Request to DLG (including certifications) for all projects in which program income funds are being utilized. DLG will assure project eligibility and national objective criteria and will respond within fifteen (15) days of receipt.

Upon final approval, the RF Board Chairman will forward the entire package to the RF's bank, with a request to draw down funds to the borrower.

**VIII. Loan Closing Procedure**

The RF will closely coordinate all loan closing activity with the first participation lender to avoid duplication and to hold closing costs to a minimum. The RF, working with the participating lender, will make all necessary preparations for the closing. After scheduling the date of closing, the RF or participating lender will prepare the information and documentation for closing, including:

- a. RF Agreement
- b. Participation Agreement between RF and the first position lender
- c. Promissory, Mortgage Notes or other loan agreement
- d. Security Documents to be executed and recorder
- e. Check from the RF

All closing costs incurred will be paid by the borrower at the time of closing.

**IX. Other**

**A. RF Loan Application Form**

The RF full Loan Application form is attached as Appendix I.

**B. Evaluation Mechanism**

Every six months the RF Manager will monitor the projects in the RF portfolio, evaluate the loans made, and determine progress made in obtaining goals and objectives cited in the RF Administration Plan. Factors such as jobs created, jobs retained,

potential for future job creation, tax revenues created, types of jobs created, minority and/or women's businesses assisted, and the ratio of RF dollars to jobs retained/created will be considered in this evaluation process. Results of all project evaluations will be presented to the RF Board and the Fiscal Court *monthly* of RF activity.

All assurances as specified in Community Development Block Grant regulations shall be agreed to by the user in order to receive funds. No application shall be approved unless the Statement of Assurances is properly signed.

Investment of idle funds shall be in conformance with Kentucky Revised Statutes as they relate to investment practices of local governments.

- C. Since the funds that help fund this revolving fund come from repayment of loan/leases made from grants received from the Community Development Block Grant Program, each activity funded under the RF program may be required to meet at least one of the three National Objectives identified in Title I of the Housing and Community Development Act of 1974 as amended in 1983, hereafter referred to as the Act (Section 104(b)(3)). The three objectives are:
1. Benefit to low and moderate income persons
  2. Prevention or elimination of slums or blight
  3. Meeting community development needs which have a particular urgency
- D. Up to 20% of the repayment may be used for administrative purposes related to administration of the RF. An administrative plan is attached by reference.