

KANDIYOHI COUNTY AND CITY OF WILLMAR **ECONOMIC DEVELOPMENT COMMISSION (EDC)**  
**JOINT POWERS BOARD OF COMMISSIONERS MEETING**  
**MINUTES**  
April 22, 2010  
EDC Office, Willmar, MN

Present: Denis Anderson, Ron Christianson, Richard Falk, Les Heitke, Harlan Madsen and Dean Shuck

Staff: Steven Renquist, Executive Director, Jean Spaulding, Assistant Director and Cathy Keuseman, Agribusiness & Renewable Energy Specialist

Guest: Dean E. Johnson

Secretarial: Jodie Heuring, Legal & Administrative Assistants, Inc. (LAA)

Media: Anne Polta, West Central Tribune

Chairperson Ron Christianson called the meeting to order at approximately 11:30 a.m.

[The agenda was taken out of order.]

**UNFINISHED BUSINESS**

**Agribusiness & Renewable Energy Development Specialist.** Steve Renquist introduced Cathy Keuseman and provided a brief background on the hiring process. Keuseman provided an update of things on which she has been working, as well as upcoming meetings and items included in a handout (see copy attached to original minutes). Keuseman is planning an agriculture and renewable energy newsletter. Board members thanked Keuseman for her report.

[Cathy Keuseman was excused from the meeting.]

**MINUTES—**

IT WAS MOVED BY Dean Shuck, SECONDED BY Denis Anderson, to approve the minutes of the January 28, 2010 meeting and February 4, 2010 special meeting of the Kandiyohi County and City of Willmar Economic Development Commission Joint Powers Board of Commissioners as mailed and e-mailed. All present voted in favor by roll call.

**TREASURER'S REPORT—** Renquist presented the financial reports for periods ending January 31, February 28 and March 31, 2010 noting this year or next the EDC will max out its budget.

IT WAS MOVED BY Richard Falk, SECONDED BY Harlan Madsen, to approve the Kandiyohi County and City of Willmar Economic Development Commission financial reports for periods ending January 31, February 28 and March 31, 2010, subject to audit. All present voted in favor by roll call.

## NEW BUSINESS

**2010 Minnesota Legislative session.** Dean E. Johnson provided a brief report of the current legislative session, his contacts as they relate specifically to the Veterans Home and his thoughts as to why the Veterans Home did not receive funding in the bonding bill. Johnson noted the local veterans organization and political organizations were quite supportive, but there was some opposition. Prior to the bonding bill being passed, the Kandiyohi County/Willmar Veterans Home was in the House provision, but not in the Senate's, it went to the conference committee and the Governor and Commissioner of Veterans Affairs decided the budget would be better served if the Minneapolis Veterans Home was expanded. Johnson believes the Veterans Home Kandiyohi County/Willmar was proposing is important and encouraged the EDC and community to not give up on this project.

Johnson stated there are other things that are very important to this region, county and city, including possible University of Minnesota projects. Les Heitke stated anything the EDC can do to support the University of Minnesota to work with or come to Kandiyohi County and Willmar should be done. Johnson's help in working with the University of Minnesota is appreciated. Several board members asked Johnson to arrange with Renquist and Spaulding an invite to Dr. Jones or other University of Minnesota representatives to attend a future EDC meeting, perhaps July; the EDC would like to enhance its relationship with the University of Minnesota.

Johnson noted Renquist asked him to assist with the angel investment tax credit bill, which was part of the jobs bill. Johnson promptly called Senator Pogemiller and discussed the matter with him explaining the importance of the bill; Pogemiller talked with the author of the bill and felt the bill was okay, but if there was a problem, he would contact Johnson. Johnson did not receive a call and it became law early the following week. Renquist indicated this is all a part of creating an environment where economic development can happen. Spaulding noted this legislation has been in process for 12 years.

Discussion was held on the contract with Johnson and a cancellation policy being included in future contracts. Board members did not review the contract prior to its execution. Johnson read four items in his contract with the EDC, i.e., developing policies and programs directed to business start-ups and expansions, specifically those based on opportunities related to biotech and technology; facilitating meetings with local and state officials, foundations and educational institutions and opportunities in Kandiyohi County; assisting representatives of Kandiyohi County, the city of Willmar and the EDC in developing priorities and implementing strategies for the 2010 Minnesota Legislative Session; and provide monthly reviews. Johnson believes he did the best job he could to meet the terms of the contract. Renquist stated the contract was based on previous years' contracts with a change as to shortening the time frame to be complete at the end of the legislative session versus the calendar year. Spaulding stated the RFP was very specific, but the contract was a separate document, which Renquist stated was expanded to take advantage of Johnson's expertise.

It is important for the EDC to have a priority list—where is the Veterans Home going to be now?

**Conflict of interest policy (Commitment Pledge).** Renquist presented a Commitment Pledge for signature by the commissioners.

**Planning sessions.** Renquist informed board members the five-year planning session is scheduled to be held 1-5 p.m., June 15, 2010 and the annual board planning and budget session with committees will be held 2-7 p.m., July 12, 2010. Renquist has not found a facilitator for the five-year planning session who will do it at no charge; Renquist continues to seek a facilitator. To accommodate the County Commissioners meeting on June 15, the EDC's five-year planning session was changed to **1:30-5:30 p.m., June 15, 2010.**

**Revolving Loan Fund Manual.** Spaulding presented a Revolving Loan Fund Manual (see attached) revised by the EDC's Finance Committee and provided information of other EDC loan programs. Discussion was held about the need and possible use for this type of funding. Spaulding stated there is a need for financing, but the EDC wants a good sound business plan. Spaulding will steer applicants to the EDC's Entrepreneurs' Loan Guarantee Program first as that loan is owned by a bank and does not deplete the funds in this Revolving Loan Fund program. This program's interest rate is prime + 2%; the 2% will be used as a fee for a bank to service the loan. This funding could be used in addition to other financing sources. The manual will be presented to the EDC Joint Operations Board for approval and then presented to this board for ratification.

**Economic development activities.** Renquist referred board members to a handout of current development projects (see copy attached to original minutes).

[Dean Shuck was excused from the meeting.]

Spaulding reported Blandin Community Foundation received a federal grant through the Broadband Technology Opportunity Program. Through this grant, Minnesota Intelligent Rural Communities (MIRC) coalition will bring a network of resources and support to rural Minnesota individuals and communities. As one of the demonstration communities, \$100,000 of the grant will be for Willmar/Kandiyohi County. The EDC has been invited to attend a meeting of all demonstration communities May 11 and 12 in Grand Rapids to participate and work on plans for this project. Heitke indicated he would like to attend. Spaulding invited any board member or community leader who would like to attend contact her.

Spaulding reported the EDC will host its next angel network meeting in May and is very hopeful the EDC will be able to announce a prestigious guest may be attending.

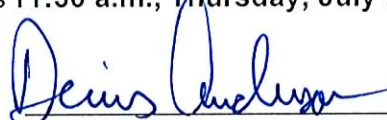
There was no other new business.

**ADJOURNMENT**—There being no further business,

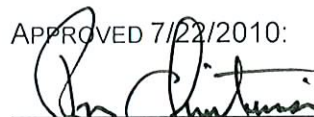
IT WAS MOVED BY Richard Falk, SECONDED BY Les Heitke, to adjourn the meeting.  
MOTION CARRIED.

The meeting adjourned at approximately 12:57 p.m.

**NEXT MEETING**—The next regular board meeting is **11:30 a.m., Thursday, July 22, 2010**, at the EDC office.

  
\_\_\_\_\_  
Denis Anderson, Secretary

APPROVED 7/22/2010:

  
\_\_\_\_\_  
Ron Christanson, Chairperson

Kandiyohi County and City of Willmar Economic Development Partnership,  
Inc. Commission

# REVOLVING LOAN FUND

## MANUAL



Adopted by ~~KCEDP~~ Kandiyohi County Economic Development Partnership, Inc. Board 11/10/98  
Revised by EDC Finance Committee 4/13/2010  
Ratified by EDC Joint Powers Board 4/\_\_\_/2010

## Introduction

A Revolving Loan Fund has been established by **Kandiyohi County** and is administered by the Finance Committee (Committee) of the **Kandiyohi County and City of Willmar Economic Development Partnership, Inc. (KCEDP) Commission (EDC)**. **The Revolving Loan Fund is intended to be a permanent revolving loan fund where money is available for new loans on a continuing basis as loans are repaid.**

The purpose of the fund is to provide alternative (**gap**) financing methods **to for-profit businesses** to promote job retention, job creation and the stimulation of private investment in an effort to strengthen and diversify **the economy and** the tax and industrial base of Kandiyohi County. ~~In addition, the Revolving Loan Fund program is to initiate, facilitate and promote Kandiyohi County's legitimate economic/industrial development interests.~~ **Loans will serve as matching funds to create up to 100% leverage project financing with other borrowing sources to assist existing or new businesses meeting the program eligibility.** Loan money is intended to complement, not replace, existing local development and private financing efforts.

## Program Goal

~~The Revolving Loan Fund is intended to be a permanent revolving loan fund where money is available for new loans on a continuing basis as loans are repaid. Loans will serve as matching funds to create up to 100% leverage project financing with other borrowing sources to assist existing or new manufacturing, industrial or wholesale/distribution-based businesses planning to add employees, purchase equipment, purchase or expand an existing facility or construct a new facility in Kandiyohi County.~~

## Definitions

~~BORROWER is a manufacturing, industrial or wholesale/distribution-based business planning to add employees, purchase equipment, purchase or expand an existing facility or construct a new facility~~ **must be a for-profit business** in Kandiyohi County. Said business shall be identified per standard industry classification (~~SIC codes~~) **the North American Industry Classification System (NAICS)**. ~~This may include investment property owners having one of the above types of business under a lease agreement.~~

~~COMPLETE APPLICATION shall include: form completed as provided by KCEDP~~ **the EDC** and all items described in Application Content ~~on pages 3 and 4.~~

~~LENDING INSTITUTION is any financial institution in Kandiyohi County or located outside Kandiyohi County doing business with a company located or expanding in Kandiyohi County.~~

~~NON REAL ESTATE LOAN is any secured loan, except real estate, with a maturity greater than 1 year but not more than 10 years, which is on an amortizing schedule and repays from cash flow. The need and economic reasonableness of the loan must be firmly established. The term of the loan must not exceed its economic purpose.~~

~~REAL ESTATE LOAN is any loan secured by real estate with a maturity greater than 5 years but not more than 15 years. The extension of funds for real estate related projects will be considered on projects that will increase the property tax of the area while supplying a satisfactory security level on the Revolving Loan Fund's capital. This type of loan should clearly best satisfy the borrowing needs relative to the purpose of the loan and the ability to repay. It is necessary to provide security within the total project financing package.~~

~~REVOLVING LOAN FUND LOAN is a loan used to~~ **for the primary purposes of purchaseing equipment, purchaseing or expandeing** an existing facility or construct a new facility in Kandiyohi County.

## Loan Guidelines

1. ~~The money borrowed shall be used for real estate purposes (purchase or expansion of an existing facility or to construct a new facility) and/or equipment purchases. Priority will be given to businesses that export goods and services from the Kandiyohi County area with economic return to this area.~~ **Applicants must be for-profit businesses located in Kandiyohi County, meet the eligibility guidelines of the program, and be in an eligible industry category under the Small Business Administration (SBA) guidelines.**
2. ~~The borrower shall meet one or more of the following:~~
  - a. ~~Generate 50% or more of their revenue from outside Kandiyohi County.~~
  - b. ~~Create one job per \$15,000 of loan funds over a 5-year period.~~ **Applicants must have adequate collateral and cash flow to service the debt and show additional lending to meet up to the 100% leverage guidelines.**
3. The Committee shall recognize that adequate collateral is not a primary consideration in approving loans.
4. **Project funding: Applicants must provide a minimum of 10% owner equity as part of the 100% leverage guidelines** ~~shall be the applicant's equity, 33% from the KGEDP Revolving Loan Fund and a maximum of 57% from other borrowed sources.~~
5. **Applicants must provide with their application a personal credit report for principal owner(s) with 20% or more ownership.**

## Loan Terms

1. Minimum amount of ~~outstanding loans~~—\$5,000
2. Maximum amount of ~~outstanding loans~~ for one borrower—\$25,000
3. The loan term shall be no less than 1 year and may be negotiated up to 15 years **based upon the productive life of the assets.**
4. ~~KGEDP~~**EDC** will take a security interest position in any equipment or real estate financed.
5. ~~KGEDP~~**EDC** will require personal guaranties of the applicant(s).
6. ~~KGEDP~~**EDC** will accept subordinate position loans.
7. The Revolving Loan Fund's collateral must be adequately insured ~~and the KGEDP may require key person insurance on the owner and/or general manager in an amount equal to the loan.~~
8. **Recipients will be charged a 1% loan origination fee plus all costs associated with the loan.** ~~Loans can only be made to businesses that can substantiate a financing need due to the following conditions:~~
  - ~~→ Inadequate equity by the owners of the business.~~
  - ~~→ Inadequate private lender financing.~~
  - ~~→ Inability to pay market interest rates or term requirements.~~

## Eligible Activities

1. Fixed machinery and equipment.
2. Building purchase, construction and renovation.
3. Leasehold improvements.
4. Land acquisition.
5. Plant modernization.
6. Other purposes at the discretion of the Finance Committee.

## Ineligible Activities

1. Agricultural production/livestock.
2. Past completed projects.
3. Refinancing of other privately held loans or mortgages.
4. Retail development projects.
5. Loans to governmental units or development corporations.

6. Projects for which financing is available for reasonable terms from other sources.
7. Projects that cannot demonstrate a reasonable chance of success.
8. Loans which are designed to liquidate other existing loans.
9. Loans to liquidate debt to a family member or to buy a business from a family member.

### Administration

1. The administration and operation of the Revolving Loan Fund program will be the responsibility of the Committee. The Committee will present all loan applications for final approval to the ~~KCEDP~~EDC Joint Operations Board of Directors.
2. The Committee will operate within the guidelines stated in this document.
3. Loan applications should be submitted to the ~~KCEDP~~EDC office, 333 Litchfield Avenue SW, Suite 100, P.O. Box 1783, Willmar, MN 56201. ~~The Committee will review applications within 10 days after receipt.~~
4. The Committee will advise the ~~KCEDP~~EDC Joint Operations Board of Directors of its activities quarterly.
5. The Committee ~~may~~will contract with a bank or qualified party for the administration and the financial institution that originates the loan to servicing of the loan.
6. The Committee will invest all available funds in short-term investment financial instruments. These funds will be deposited in a local financial institution in an effort to provide funds for commercial bank loans.
7. The financial institution servicing the loan will receive the 2% interest above Wall Street Journal prime as its fee.
8. Because of the nature of the information that will be considered in the administration of the Revolving Loan Fund, the meetings of the Committee will be open to Committee members, involved lending institution and affected business parties only.
9. Because of the potential for conflicts of interest in the loan decision process, any Committee member who has a potential conflict of interest in a loan request is required to reveal their position to the full Committee. The Committee member with the conflict will be allowed to assist in the application process and participate in the discussion of the loan request, but will abstain from the motion and voting on the motion to approve or reject the loan.
10. The Committee will not participate in the application process.
11. The Committee will not approve incomplete applications.
12. The Committee will recognize the increased risk associated with lower equity levels and will not recommend for approval loans that it believes do not provide sufficient cash flow opportunities to support repayment of the obligation.
13. Applications that have the potential to create up to 100% leverage project financing must be based on the appraised market value of the property.
14. The participating bank shall provide to the EDC quarterly reports.~~KCEDP on an annual basis:~~
  - ~~a. Initial certificate of non-relocation of the applicant.~~
  - ~~b. Annual financial statements and federal tax returns of the applicant.~~
  - ~~c. Report on an annual site visit.~~
15. The Committee will review annually the information from the participating banks about the Revolving Loan Fund loans.
16. It may be necessary for the Committee to review periodically and modify its policy for loans in response to changing money market conditions, portfolio structure and local market conditions.

### Interest Rate and Repayment Terms.

The interest rate will be ~~1% below Minneapolis~~ fixed at Wall Street Journal prime rate plus 2% at the time of closing. The interest rate will be computed as simple interest and will be fixed for a period not to exceed five years and adjusted for a similar period using the same index and margin.

All loans will be structured to fully amortize over the term of the loan. Borrowers will be required to set up automatic payments from their checking account for the monthly loan payments under this program.

### Application Content

Borrower shall provide a completed Application form as provided by the EDC, which shall include the following items:

1. A business plan, including:
  - a. History of the business
  - b. Market analysis and strategy
  - c. Products
  - d. Manufacturing process; and
  - e. Financials (including those designated below)~~a clear description of the project, what it expects to achieve and why it is important to undertake.~~
2. Business organization documents, including Articles of Incorporation, Bylaws and Certificate of Incorporation.
3. Certificate of Good Standing (obtained for corporations from Secretary of State) or Certificate of Assumed Name, if applicable.
4. Federal tax returns filed by the business for the past 3 years (unless in business less than 3 years).
5. Income statements and balance sheets from the past 3 years plus current within 90 days (unless in business less than 3 years).
6. Current debt schedule as outlined in the Application form listing the original date and amount, present balance owed, interest rate, monthly payment, maturity and security for each loan or debt currently held by the business. The schedule must also show whether the loan is current or delinquent.
7. Current detailed accounts receivable and accounts payable listing including an aging.
8. Income and cash flow projections for the next 2 years. [The projection must show a positive cash flow after one year.]
9. A detailed expense budget for the project showing how the requested funds would be spent and during what time periods. The budget should make clear how the major elements of expense were estimated. Applicant(s) should specify when the loan is desired and in what amount.
10. Personal credit report for each principal owner.
11. ~~Statement from the applicant that the project could not be done but for this financing.~~
12. ~~Statement of source of equity for the project, and how it will be obtained and appraised.~~
13. ~~Statement concerning how the project will benefit the community and impact the local tax base.~~
14. ~~Copy of the most recent commitment letter from business' lending institution indicating business' working capital line of credit.~~
15. Commitment letter regarding any financing the applicant's business' lending institution will provide for the project.
16. Signed personal financial statements dated as of the date of application for principal owner(s) with 20% ownership or more.
17. ~~Any other information, including any key person insurance, which may be available to secure the loan.~~
18. ~~A non-refundable application fee of \$100 per owner/applicant to cover the necessary credit check(s).~~