



## Waterbury Revolving Loan Fund Policy

### **Authority for Lending**

The authority for the lending from the fund rests with the Commissioners of the Edward Farrar Utility District (EFUD). In order to better evaluate requests for loans, the commissioners have established a five-member Loan Fund Committee. Four members of this committee shall be appointed by the EFUD Commissioners. The chair of the committee shall be the Municipal Manager, who shall be a member of the committee.

One member shall be an “at large” appointment by the Commissioners. The three other members of the Loan Fund Committee shall be members of the Waterbury Area Development Committee, a sub-committee of Revitalizing Waterbury. The EFUD commissioners shall appoint these four members as follows:

- One member shall have a one-year term.
- One member shall have a two-year term.
- Two members shall have a three-year term.

### **Purpose**

The purpose of the Revolving Loan Fund (RLF) is to incentivize new and existing businesses to locate or expand in Waterbury, Vermont, or in areas within the EFUD water distribution and/or wastewater collection areas. In addition, the RLF may be used to enhance opportunities to expand the number and to improve the quality of housing units available for ownership or for rent in the community. The creation of new revenue for EFUD utilities through the addition of customers or increased sales to existing customers is the primary goal for making loans from the RLF. Additional goals include job creation and retention in the community, increasing grand list values, and supporting vitality in local businesses.

### **Uses**

Uses for loan funds may include, but are not limited to, financing the following:

1. Equipment/machinery, including vehicles
2. Working capital for start-up or expansion including the purchase of raw materials, inventory, licensing, marketing, payroll, etc...

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3. Real estate acquisitions and improvement or Leasehold improvements related to the operation of the borrower's business
4. Business acquisition
5. Development of or improvements to multi-family residential housing stock
6. Improvements to commercial or residential (single-family and multi-family units allowable here) façades, removal of barriers to accessibility, code improvements, building envelopes, and mechanical/electrical systems to enhance aesthetics, weatherization or energy efficiency

### **Eligibility Requirements**

To apply for funding, an applicant must:

- Provide documentation that 100% of necessary financing is not available through a loan from a commercial bank and also must provide documentation of a primary lender's willingness to allow borrower to work with EFUD to secure financing for the remaining sum to allow the project to be viable.\*
- Possess sufficient capital to invest into the project to satisfy "equity requirements" of the primary lender to allow the project to move forward.
- Be in compliance with the municipal, state and federal permits already issued to the business or for a project. Applicants for prospective business do not need to possess all permits, but must be able to demonstrate the necessary permits for the project as presented can be obtained.
- Be at least eighteen (18) years of age.

\*EFUD Commissioners may waive the requirement for a loan from a "primary bank" for loans to projects described in #6 in "Uses" Section (above) or for loans that will have terms of 60 months or less.

### **Loan Terms**

- The maximum loan amount is \$75,000. The Commissioners reserve the right to make loans exceeding the \$75,000 limit if the applicant can demonstrate the project will generate at least \$5,000 per year in water and sewer revenues combined, creates or preserves 5 or more jobs or adds \$1 million or more to the Waterbury grand list.
- The interest rate will be set no lower than 1% per annum and no higher than current prime rate plus 1%. For loans to businesses or for projects where other lenders are providing some financing, consideration shall be given when setting the interest rate on the loan to the interest rates being charged by other lenders, in order to keep the "melded rate" for the borrower as low as practicable to best ensure success for the business.
- Loan terms, while not expressly limited, generally will not exceed 10 years.

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- Collateral may include a security interest on furniture, fixtures, equipment, inventory, etc. according to the Vermont UCC codes or a duly recorded mortgage on property owned by the applicant. It is expressly permissible for EFUD to take a subordinate position for all collateral and mortgages.

### **Application Process and Evaluation Criteria**

Completed loan applications must include the following items:

- Loan Application Cover Page
- A business plan, preferably spanning five years, but no less than a three-year plan
- For existing businesses, three years of business tax returns
- Personal financial statement
- \$50 application fee.

Applications deemed complete will be evaluated by the Loan subcommittee. Proposals will be evaluated on a scale of 1-5 (1 being low) to assess:

- Business fundamentals (business viability, potential for success in Waterbury)
  - New business applicants who have taken a business planning course, such as those offered by the Small Business Development Center or Center for Women in Enterprise, will be given preferential consideration.
- Benefit to the community (generating utility revenue, number of jobs created, growth to grand list value, assists underrepresented communities, fulfillment of community need, improves economic diversity)
- Appropriateness of RLF funding (use of multiple funding sources, existence of other more appropriate funding sources, necessity of loan funds for project completion)
- Viability/risk (considering the inherent risks and overall purpose of the fund, is there undue risk from the given proposal?)

Applicants whose proposals receive an average score of 3.5 or above shall be recommended for a loan by the subcommittee. Applicants whose proposals receive an average score of 2.5 shall not be recommended for a loan by the subcommittee. For applicants whose proposals receive average scores between 2.5 and 3.5, the subcommittee may agree, after reviewing additional information, to make a conditional recommendation to the EFUD Commissioners.

Recommendations for loans by the subcommittee will be transmitted to the EFUD Commissioners, who shall consider them at a warned meeting of the EFUD Commissioners. The final decision on all requests for loans from the Waterbury RLF is reserved to the EFUD Commissioners and no loan shall be made from the Waterbury RLF without approval from the EFUD Commissioners. The terms and conditions of all loans shall be approved by the commissioners. Loan funds shall not be disbursed to borrowers until all loan documents are prepared, signed and recorded.

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Loan recipients may be required to submit tax returns and financial statements and other reports detailing business activity to the municipal manager by April 30<sup>th</sup> of each year. These reports may be required to include information regarding staffing changes, working capital changes, change of location, and other relevant updates.

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**EFUD Commissioners reserve the right to deviate from these “standard terms” to issue loans to community-based organizations when such a loan is deemed by the commissioners to be in the interest EFUD or the community as a whole.**

**Approved by the Edward Farrar Utility District Commissioners via voice vote this 8th day of February, 2023.**