

INDIANOLA MUNICIPAL UTILITIES BOARD OF TRUSTEES REVOLVING LOAN FUND POLICY

The purpose of this policy is to provide guidance regarding loans from a revolving loan fund (RLF) to private and public entities for projects that benefit the community. Nothing within this policy requires the IMU Board of Trustees (IMU) to provide funding for any project, regardless of that project's ability to meet eligibility guidelines. Furthermore, nothing in this policy prohibits members of the public from approaching the board to consider funding for a project.

Goal

The goal of this program is to effectively encourage efficient utility usage and growth within the electric service territory, including projects that enhance the community.

Limitations

The RLF is not intended to compete with other lenders and will collaborate with interested lenders to develop a viable financing package that advances a qualified project and minimizes use of the RLF.

The RLF is intended to spur new commercial growth. Projects where more than 20% of the total new investment is for residential housing development are not eligible. Other ineligible uses include refinancing existing debt, financing payments to business owners, activities deemed to be for investment purposes, general needs unrelated to new development, and any illegal activities.

The IMU Board of Trustees is the sole authority for approval or denial of loans from the RLF.

RLF loans are available on a first-come, first considered basis.

RLF loans are not tied to subscribing to IMU electric or telecommunications utility services.

A RLF loan will not be made to any City of Indianola or IMU official and is subject to conflict of interest provisions of applicable city and state laws. IMU shall not make an RLF loan for an IMU-related project unless it has a bona-fide public purpose and does not create a conflict of interest.

IMU will be an equal opportunity lender and requires loan recipients to adhere to all equal opportunity laws.

Eligibility Criteria and Uses of Funds

Eligible projects can include those proposed by any business venture, governmental body, or non-profit entity developing a community or economic development project.

A community or economic development project are those that have any of the following impacts:

- Create or retain employment
- Increase the property tax base of the City of Indianola
- Provides community facilities and services with demonstrated public support
- Enhance the efficient or cost-effectiveness of utility services
- Create or retain tourist attractions

Uses of RLF loan proceeds may be for land, buildings, machinery, equipment, and infrastructure improvements. Working capital loans will only be considered in conjunction with the purchase or construction of other assets.

Loan Criteria

An “initial loan” is federal funds applied for by IMU through the USDA-RD. A “subsequent loan” is a loan using proceeds repaid to the utility from an “initial loan”.

The minimum RLF loan will be for \$25,000 and the maximum subsequent RLF loan will be 80% of the total amount of funds available in the RLF.

RLF projects must include a minimum of 40% funding from other sources. Other sources may include those from other IMU utility funds, which may have different eligibility criteria.

Terms of an initial RLF loan will be 0% for 5 years. Subsequent loans shall not exceed the prevailing prime rate and 10 years.

A loan administrative fee of 2% of the borrowed balance will be charged on subsequent loans. The utility may waive the fee for projects that enhance energy efficiency in new construction or remodeling projects.

All attorney’s fees, filing fees, etc. will be paid by the loan recipient.

Delinquent amounts will be charged a monthly fee equal to the percentage charged to delinquent utility account holders.

Consideration for making an RLF loan will be based on:

1. Compatibility with Indianola's communitywide economic development goals
2. Demonstrated financial need
3. Probability of repayment
4. Overall financial benefit to the City of Indianola
5. Number and quality (in terms of pay & benefits) of jobs to be created or retained
6. Improvement to the education, safety, technology, and medical care of residents

Probability of repayment will consider varying degrees of collateral and insurance including:

- Mortgage lien on real property
- Letter(s) of credit from acceptable financial institutions(s)
- Securities eligible to be held under the IMU Investment Policy and Iowa law
- Accounts receivable, inventory, machinery, and equipment
- Short-term pledges from creditworthy donors and personnel guarantees
- Insurance requirements appropriate for physical assets and personal guarantees

Program Implementation

The IMU Board of Trustees shall appoint a RLF committee (The Committee) comprised of:

- 2 Trustees selected by the Board
- 1 utility customer appointed by the IMU Board of Trustees
- General Manager
- Program Coordinator

The Committee will make available and receive application materials and procedural guidelines, which may contain additional limitations on uses of funds than those set forth in this policy.

The Committee will make a recommendation on the terms, collateral, and covenants of subsequent loans for IMU Board of Trustee consideration. All conditions must be met prior to the disbursement of funds by IMU.

The Committee will meet at least annually and provide the IMU Board of Trustees an annual report on the status of the RLF program.

The General Manager or designee is authorized to implement monitoring and collection procedures on behalf of IMU as needed. Amounts deemed uncollectable by the General Manager require approval of the IMU Board of Trustees prior to being removed from active status in the RLF program.