

PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

Meeting Date: June 21, 2011 [X] Consent [] Regular
[] Workshop [] Public Hearing

Department: Administration
Submitted By: Economic Development Office

I. EXECUTIVE BRIEF

Motion and Title: Staff recommends motion to approve: Amendment No. 1 to the Palm Beach County (PBC) Energy Loan Program Criteria.

Summary: On October 20, 2009, the Board of County Commissioners approved the U.S. Department of Energy's (DOE) Assistance Agreement (R2009-1743) for a grant totaling \$6,587,600 to implement the Energy Efficiency and Conservation Block Grant (EECBG) Program which included a revolving loan fund for businesses totaling \$1,100,000. This proposed Amendment will amend the maximum loan percentage of total cost, remove the maximum job cost ratio and job creation conditions, revise the loan to value target and modify the Application Fee, which will no longer be credited to closing costs. These will expand the County's ability to qualify applicants. **These are federal funds that require no local match.** Countywide (DW)

Background: Resolution 2009-1038 established the Palm Beach County Energy Efficiency Conservation Revolving Loan Program totaling \$1,100,000 in EECBG funds to assist businesses in carrying out energy audits and retrofits to effectuate savings in utility costs, reduce fossil fuel consumption, improve energy efficiency, and create and/or retain job opportunities for local residents. The Economic Development Office is administering the Program and will distribute loan funds to approved eligible businesses to complete the improvements identified through an energy audit. Businesses are qualified based on sufficient cash-flow to repay program loan funds. For any given project, the loans will range between a minimum of \$15,000 and a maximum of \$150,000 and will be 90% or less of the total project cost. Loans will be fixed at 3% for a term and amortization of up to ten (10) years. The loan process will be expedited by the County Administrator or his designee in the approval of projects that meet the Program Criteria and do not require an exception to any of the criterion of the Energy Efficiency Conservation Revolving Loan Program.

Attachments:

- 1. Energy Loan Program Criteria red lined
- 2. Energy Loan Program Criteria Final

Recommended By: Shirley Howard 6-8-2011
Economic Development Director Date
Approved By: [Signature] 6/17/11
Assistant County Administrator Date

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2011	2012	2013	2014	2015
Capital Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Grant Expenditure	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
External Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Program Income (PBC)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
In-Kind Match (PBC)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
 NET FISCAL IMPACT	 * see below	_____	_____	_____	_____
 # ADDITIONAL FTE POSITIONS (Cumulative)	 _____	_____	_____	_____	_____

Is Item Included In Current Budget? Yes _____ No _____

Budget Account No: Fund _____ Department _____ Unit _____ Object _____

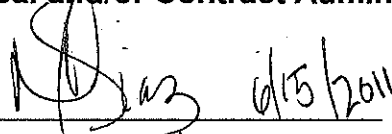
B. Recommended Sources of Funds/Summary of Fiscal Impact:

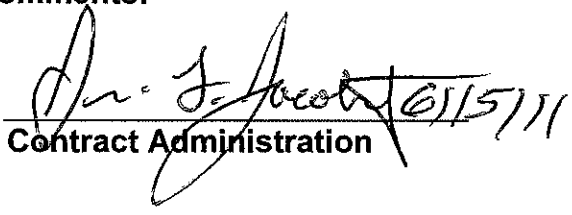
*Fiscal impact cannot be determined at this time. Increase in revenues will depend on the number of applications received and processed.

C. Departmental Fiscal Review: 
Economic Development


III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Administration Comments:

OFMB  6/15/2011
WS 6-13-11 SN 6/13/11 6/13/11


 Contract Administration

B. Legal Sufficiency:

 6/15/11
 Assistant County Attorney

C. Other Department Review:

 Department Director

This summary is not to be used as a basis for payment.



**PALM BEACH COUNTY
ENERGY EFFICIENCY CONSERVATION
LOAN PROGRAM
CRITERIA**

(As approved by the PBC BCC on February 23, 2010)

(As approved by the PBC BCC on 02/23/2010, and as amended on 06/21/2011)
(Subject to future changes)

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**PALM BEACH COUNTY
ECONOMIC DEVELOPMENT OFFICE
ENERGY EFFICIENCY CONSERVATION LOAN PROGRAM**

The Palm Beach County Energy Efficiency Conservation Loan Program is a financing tool under the Energy Efficiency and Conservation Block Grant (EECBG) authorized by the U.S. Department of Energy to promote energy savings and efficiency.

This program is intended to assist for-profit businesses and non-profit organizations to carry out energy audits and retrofits to effectuate savings in utility costs and reduce fossil fuel consumption.

I. MISSION STATEMENT AND PROGRAM OBJECTIVES

The mission of Palm Beach County's Energy Efficiency Conservation Loan Program is to enable businesses and appropriate community based agencies to: promote energy efficiency, promote cost savings, reduce scarce resources and to create and/or retain jobs, enhancing the overall quality of life for all Palm Beach County residents.

The Program objectives are to:

- Provide subordinated financing to eligible borrowers to fill a financing gap beyond the amount of private participation and equity investment that can be raised.
- Provide direct loans to eligible borrowers with equity investments when appropriate.
- Provide long term, fixed-rate financing at interest rates lower than conventional financing.
- To improve the company's energy efficiency and allow the company to conserve energy.
- Create and/or retain jobs.

II. PROGRAM ACRONYMS/DEFINITIONS

BCC Board of County Commissioners

DUNS No. A unique nine-digit sequence recognized as the universal standard for identifying and keeping track of over 100 million businesses. According to Dun & Bradstreet (D&B), the DUNS number enhances credibility of your business in the market place and enables potential customers, suppliers and lenders to easily identify and learn about your company.
http://www.dnb.com/US/duns_update/.

EDO Economic Development Office

EEC Energy Efficiency Conservation

EECBG Energy Efficiency and Conservation Block Grant Program

ESCO/ESCO An energy service company is a professional business providing a broad range of comprehensive energy solutions including designs and implementation of energy savings projects, energy conservation, energy infrastructure outsourcing, power generation and energy supply, and risk management. The ESCO performs an in-depth analysis of the property, designs an energy

efficient solution, installs the required elements, and maintains the system to ensure energy savings during the payback period^[1]

[1] The savings in energy costs is often used to pay back the capital investment of the project over a five- to twenty-year period, or reinvested into the building to allow for capital upgrades that may otherwise be unfeasible. If the project does not provide returns on the investment, the ESCO is often responsible to pay the difference.

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FPU Florida Public Gas
HUD Housing and Urban Development
LRC Loan Review Committee
NOFA Notice of Funding Availability
PBC Palm Beach County

Participating Lender A commercial bank that lends money for the project as part of the applicant's match to the County's loan. The participating lender will be the first lien holder. This lender is referred to as the first, primary or senior lender. Under certain instances, the County may be the only lender.

Subordinate Loan The County's loan will be secondary to a commercial bank loan. Hence, the County will become the second lien holder.

III. PROGRAM REQUIREMENTS

A) Guidelines

The Energy Efficiency Conservation (EEC) Loan Program will follow the Department of Energy and the Small Business Administration (SBA) guidelines for eligibility and underwriting criteria as described in this document.

B) Project Activity Objectives

Each activity assisted with an EEC Loan Program must meet the following objectives:

- Achieve demonstrable energy savings over the term of the loan;
- Leverage private and public dollars; and
- Create job opportunities for residents of Palm Beach County.

C) Notice of Funding Availability (NOFA)

Each Fiscal Year, the Economic Development Office (EDO) will advertise when funds are available for the EEC Loan Program. A NOFA be published in the local newspaper, the County's website, www.pbcgov.com/edo, and information will be distributed to local economic development organizations.

D) Loan Review Committee

A Loan Review Committee (LRC) comprised of representatives from the County's Economic Development Office, Housing and Community Development, and Water Utilities Division Finance Division will review all loan applications presented by the

Loan Administrator and make the recommendation to approve or disapprove the loan application. The following criteria are in full alignment with federal guidelines and will be the benchmark for approval or denial of loans. A quorum of the LRC shall be fifty-one percent (51%) or two (2) of the appointed members. A quorum must be present to review and act upon any application.

The LRC will review each application with the required financial information to determine:

- Energy Savings
- Number of jobs to be created and/or retained;
- Amount of Energy Efficiency and Conservation loan fund participation necessary
- Amount of commercial, SBA or HUD Section 108 loan match
- Ability of loan applicant(s) to repay the loan
- Collateral or security available

No loan shall be made without the favorable recommendation of the LRC.

E) Board of County Commissioners Approval

The Board of County Commissioners (BCC) is the only authority that can waive or approve an exception to any of the Palm Beach County Energy Efficiency Conservation Loan Program Criteria.

- When a project requires a special consideration because of the potential benefit it might bring to the area or local economy, EDO will request that the BCC make an exception to the Energy Efficiency Loan Program Criteria.
- When the project requires exception to any criterion, the BCC is the only authority that can provide the ultimate approval. EDO will request approval from the LRC and the BCC.
- When the project requires more than \$150,000 of Energy Efficiency and Conservation (EEC) loan match, the BCC is the only authority that can provide the ultimate approval. EDO will request the approval of the LRC and the approval of the BCC.
- When the project requires less than or up to \$150,000 of EEC loan match, meets all of the Program criteria and does not require a special consideration or an exception to any of the criterion of the EEC Loan Program, EDO will request approval from the LRC and the approval of the County Administrator or his designee.

III. PROGRAM DETAILS

A) Eligibility

1. Area
 - Palm Beach County boundaries

2. Eligible Applicants

- Private, for-profit and non-profit businesses that have been engaged in industrial, retail or distribution activities for at least two (2) years and are able to demonstrate sufficient profitability. An applicant must be a sole proprietorship, an incorporated business, a partnership or any other legally organized business registered with the State of Florida.
- Non-profit economic development organizations with projects involving the renovation/construction of commercial/industrial buildings (Note: working capital is not available to non-profits.)

B) Loan Amount and Required Owner's Equity

1. For any given project, the minimum loan request is \$15,000 and the maximum loan request is \$150,000. ~~The EEC Loan must be 50% or less of the total project cost. The maximum Job Cost Ratio for the project is \$92,000 per full-time equivalent job to be created and/or retained within a period of five (5) years.~~
2. Any exception to the maximum loan amount shall require the approval of the Loan Review Committee and the Palm Beach Board of County Commissioners.
3. ~~The recommended required levels of participation for the project funding are 40% from a senior lender (bank, U. S. Small Business Administration, Energy Performance Contracting, HUD Section 108 Loan), 5 up to 90% from Palm Beach County, at the discretion of the Loan Review Committee, and 10% from owner's equity.~~

C) Rate and Term

The rate shall be fixed at 3% for a term and amortization of up to 10 years. The senior debt (bank, U.S. Small Business Administration, HUD Section 108 Loan) must be the same or greater than the EEC Loan, or the term and amortization of the EEC Loan will be reduced to meet the term and amortization of the senior loan.

D) Eligible Uses

- a) Acquisition and installation of equipment contributing to energy efficiency such as solar panels energy and Energy Star rated appliances.
- b) Acquisition and installation of construction materials and components leading to energy efficiency such as energy rated windows, LEED certified building materials and techniques, insulation materials, etc.;
- c) Cost of Energy Audit(s). Each borrower shall be required to obtain an energy audit from a recognized business or any combination of electric utility experts, water and wastewater facility staff, professional organizations or individuals, trade associations or certified Energy Service Contractors or specialists. EDO shall be the final arbiter in determining the competence and professional credentials of the individual or firm selected by the borrower in conducting the energy efficiency audit. Only work, materials and equipment identified by the Energy Audit will be eligible for funds. Borrowers are encouraged to use the free services of the utility companies (i.e. FPL, FPU, etc.)

- d) Fees & Closing Costs. The cost of the environmental review, if any, architectural, engineering and environmental fees and soft costs associated with the closing of all loans.
- e) Capitalized interest.

E) Job Creation

- o Only those applicants proposing to create/retain jobs will be considered for funding under the EEC Loan Program.
- o The job creation and /or retention period begins at the commencement of the audit, with the issuance of a permit, certificate of occupancy, the end of a renovation project, or when all funds have been disbursed, whichever is first.
- ~~o The time frame to create and/or retain the new jobs will be within the first five (5) years during the term of the loan. If EDO considers that additional time is necessary, EDO will request the approval from the BCC.~~

F) Energy Savings

- o Electric/utility bills must be submitted by the applicant establishing proof of energy use during the loan period upon request. This will require a comparison prior and after work is completed.

G) Underwriting

In considering an application for an Energy Efficiency and Conservation Loan, the following procedure is used for all applicants:

1. Financial Analysis

Site Visitation – A site meeting with the applicant at its location will occur early in the process to gain insight into the business, answer the applicant's questions and request any needed information. The meeting should take place prior to submission of an application for the purpose of helping the applicant meet the EEC Loan Program guidelines or to inform applicants if they cannot meet such guidelines.

History and Business – An evaluation will be made on how long the applicant has been in business and the type of goods or services provided by the applicant. It is critical to analyze the request in respect to the specific type of industry. Not all industries have the same financing needs and payment terms to suppliers, and from customers. The balance sheet and operating ratios vary considerably from industry to industry.

Project Description - EDO shall require an Energy Audit. Free audits are normally provided by utility service providers. Only the work contained in the audit will be eligible for the loan. The Audit shall be accompanied by a construction estimate of the eligible work from a licensed contractor, architect or engineer.

Resume – Resumes will be analyzed. The resume(s) will provide insight into the background and qualifications of the principals and key management personnel. For example, someone who has been

successful in running a delicatessen may not have the ability to operate a totally unrelated business such as a manufacturing concern.

Financial Statements – Three (3) years of historical financial or audited statements and tax returns are required. If the most recent annual statement is more than two months old, an interim statement of less than 30 days is also required. Statement analysis should include:

- Trend analysis;
- Ability to repay debt - both short and long term; and
- Adequacy of working capital.

Projected Financial Statements – Projected business financial statements showing repayment out of the first year is required, which includes balance sheets, operating statements, projections and a reconciliation of the net worth/capital section of the balance sheets. The projections must include the impact of the proposed financing and the underlying assumptions used to create the projections:

- Examine the probability of achievement given the underlying assumptions.
- Determine if projected cash flow will service proposed debt.

Personal Financial Statements - These are required from everyone having ten percent (10%) or more ownership of the business along with personal tax returns. Personal guarantees are generally required from principals of the applicant. Personal Financial Statements shall be submitted on SBA Form 413 or a similar form acceptable to the lender.

2. Financial Ratios

Loan to Value Target: 4.00:1.00 0.90:1.00

Debt service coverage ratio: 1.20:1.00

3. Appraisal

Because of the nature and size of the loan program, appraisals shall not be required. However, if the first lender requires an appraisal, a copy of such an appraisal shall be delivered to EDO.

4. Credit History

- Independent credit investigations are conducted on the applicant and the principals. This includes real estate searches, Uniform Commercial Code (UCC) searches with the County and Secretary of State and personal credit reports on the principals. This credit investigation is used, in part, to verify the accuracy of the information provided by the applicant and the principals and to find out if there are any undisclosed judgments, liens, etc.
- The credit investigation will be run by the primary lender when participating in the project and by EDO when the EEC loan is the only source of funding.

5. All applicants must agree in advance to allow EDO to obtain a credit report, bank verification, loan verification, electric/utility bills, etc.
6. As a U.S. Dept. of Energy requirement, all applicants must secure a DUNS number.

H) Collateral Evaluation

Collateral Type	Advance Rates	Value Determined By
<u>Real Estate</u>		
1. Commercial Owner Occupied	Up to 100%	Property Appraiser's Assessed Value or State Certified Appraisal
2. Income Producing Non-Owner Occupied	Up to 100%	Property Appraiser's Assessed Value or State Certified Appraisal
3. Raw Land	Up to 100%	Property Appraiser's Assessed Value or State Certified Appraisal
<u>Equipment</u> (includes vehicles)	Up to 100% of Liquidation Appraisal on used equipment and up to 100% of invoice on new equipment. If liquidation appraisal is not available, use 100% of book value.	Appraiser, Balance Sheet, Machinery/Equipment quotes
<u>Securities</u>		
1. U.S. Govt. Bonds	100%	NY Times or Wall Street Journal
2. Certificates of Deposit	100%	
3. Highly Marketable	Up to 80% of good grade listed in the NYSE, American or NASDAQ Exchanges.	NY Times or Wall Street Journal

Collateral Type	Advance Rates	Value Determined By
4. Less Marketable	Up to 50% of thinly traded under \$10.00 value listed on an exchange.	NY Times or Wall Street Journal
5. Municipal Securities	Up to 80% of listed and traded bonds.	NY Times or Wall Street Journal
6. All Other Bonds	Up to 50% of listed and traded bonds.	NY Times or Wall Street Journal
7. Accounts Receivable	Up to 80% of eligible accounts receivable. Advance rates on accounts are a function of dilution rate, turnover, quality of customer sold, industry characteristics, warranty liabilities, and any unusual contractual obligations.	Accounting methods

I) Fees and Costs

1. Application Fee

A non-refundable fee of \$100 is ~~due upon submittal of application. If the Loan is approved, the fee will be credited to closing costs payable at the time an application is submitted.~~

2. Processing fee

A non-refundable fee of \$1,000 is payable to County at the time of closing.

3. Other Fees

The applicant will be responsible for all other fees, including bank/SBA/independent institutional lender fees, appraisal and environmental fees, legal fees from outside firms and the Palm Beach County Attorney's Office, and any other fee. Applicants will receive a Good Faith Estimate of the projected Palm Beach County fees.

J) Environmental Assessment

All retrofit projects are required to complete an environmental questionnaire (EF-1) in accordance with Regulations of the Department of Energy. For projects that do not require the participation of another lender, EDO will require an EF-1 and if needed, for construction, an Environmental II Assessment. The cost of the environmental assessments ordered by EDO will be charged to the borrower at closing.

K) Other Program Information

All EEC Loan Program funded projects are required to comply with federal, state and local statutes, regulations and requirements, including but not limited to the Davis-Bacon Act, Workers Compensation, Buy American Act, and insurance requirements.

IV. PROGRAM ADMINISTRATION

A) Choosing a Project

Initial Meeting and Site Visitation

EDO staff will meet with the applicant(s) to discuss the project and make a visit to the business and/or site location as necessary. Staff will explain the program and provide the applicants with a checklist of required information. The visit should provide an opportunity for staff to explain to the applicant if assistance might be available or to inform applicants if they cannot meet such guidelines.

Preliminary Review of Information

EDO staff and the County's Consultant, if applicable, will perform a preliminary analysis of the audits, interim financial statements, tax reports, payroll information, debt schedule, business plan, copies of agreements, and any other required documentation. This preliminary review will reveal if (a) the project meets the program guidelines, (b) the applicant has the capacity of paying the debts to a first lender [if applicable] and the EEC Loan, and (c) the applicant has the capacity of fulfilling all of the requirements of the EEC Loan Program. If the preliminary review is positive, the applicant will be allowed to fill out a Loan Application Package.

B) Seeking Lenders' Participation

After determining that the project and the applicant qualify for the EEC Loan Program, EDO staff and the County's Consultant will prepare an EEC Loan Package that will include all supportive documentation for underwriting and collateral, and a Project Summary and Analysis. EDO and the County's Consultant may assist the applicant in seeking commercial lenders for the project as first lenders. EDO will send the loan package to the bank(s) of preference of the applicant as well as some of the local, regional, or national commercial banks, and authorized Small Business Administration (SBA) lenders throughout the United States.

The commercial/SBA/independent institutional lender who decides to participate in the project will be required to issue a Letter of Commitment to the applicant. The applicant will be responsible for submitting all of the required documentation requested by the lender to assure private participation.

C) Obtaining Loan Review Committee Approval

After determining that the project and the applicant qualify for the EEC Loan Program and have a participating commercial/SBA/independent institutional lender in the project, EDO and the County's Consultant will prepare an EEC Loan Package for the LRC. The loan package shall include the loan application package, all forms and information as required, all supportive documentation for underwriting and collateral, a Project Summary and Analysis, and letters of commitment from both the commercial/SBA/independent institutional lender and the applicant. The LRC shall either approve or disapprove the loan application. If approved, the loan package shall be filed for Department of Energy for approval and the Palm Beach County auditor's review, if applicable. Applicants will be

informed if their loan is approved or disapproved.

D) Obtaining BCC Approval

After the LRC approves a loan application, EDO will seek approval:

- o When the project requires more than \$150,000 of EEC loan funds, the BCC is the only authority that can provide the ultimate approval. EDO will request the approval of the LRC and the approval of the BCC.
- o When the project requires less than or up to \$150,000 of EEC funds, meets all of the Program criteria and does not require special consideration or an exception to any of the criteria of the Loan Program, EDO will request approval from the LRC and the approval of the County Administrator or his designee.

E) Closing

Closings may be conducted by the primary lender's attorney subject to the approval of the County Attorney, or an outside Counsel, already selected for the HUD Section 108 Program by and under the supervision of the County Attorney's Office.

F) Servicing

Loan servicing regarding payments and submission of reports and financial statements will be carried out by EDO.

EDO staff and the County Attorney's Office will be responsible for supervising compliance with the loan closing documents.

G) Supervision and Reporting

EDO staff shall review on a yearly basis all financial statements of the borrower, compliance reports and make a field visit to the borrower's location at least once a year.

Borrowers who are problematic or cannot be brought into compliance shall be referred to the County Attorney's Office for corrective action.

V. BUSINESS REQUIREMENTS

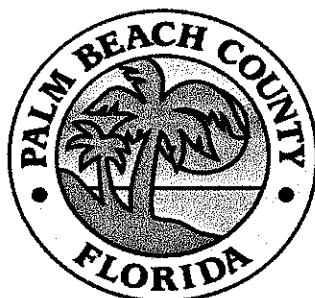
Applicants who are awarded funding will be required to enter into an agreement with Palm Beach County.

Applicants are required to submit the following documents:

- a. PBC EEC Loan Application Package with a \$100 non-refundable fee.
- b. Supportive documents, as required.

Contact Information:

Palm Beach County Economic Development Office
301 North Olive Avenue, 10th Floor
West Palm Beach, FL 33401
Phone: (561) 355-3624, Fax: (561) 355-6017
Website: www.pbcgov.com/edo



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III. PROGRAM DETAILS

A) Eligibility

1. Area
 - Palm Beach County boundaries

2. Eligible Applicants

- Private, for-profit and non-profit businesses that have been engaged in industrial, retail or distribution activities for at least two (2) years and are able to demonstrate sufficient profitability. An applicant must be a sole proprietorship, an incorporated business, a partnership or any other legally organized business registered with the State of Florida.
- Non-profit economic development organizations with projects involving the renovation/construction of commercial/industrial buildings (Note: working capital is not available to non-profits.)

B) Loan Amount and Required Owner's Equity

1. For any given project, the minimum loan request is \$15,000 and the maximum loan request is \$150,000.
2. Any exception to the maximum loan amount shall require the approval of the Loan Review Committee and the Palm Beach Board of County Commissioners.
3. The required levels of participation for the project funding are up to 90% from Palm Beach County, at the discretion of the Loan Review Committee, and 10% from owner's equity.

C) Rate and Term

The rate shall be fixed at 3% for a term and amortization of up to 10 years. The senior debt (bank, U.S. Small Business Administration, HUD Section 108 Loan) must be the same or greater than the EEC Loan, or the term and amortization of the EEC Loan will be reduced to meet the term and amortization of the senior loan.

D) Eligible Uses

- a) Acquisition and installation of equipment contributing to energy efficiency such as solar panels energy and Energy Star rated appliances.
- b) Acquisition and installation of construction materials and components leading to energy efficiency such as energy rated windows, LEED certified building materials and techniques, insulation materials, etc.;
- c) Cost of Energy Audit(s). Each borrower shall be required to obtain an energy audit from a recognized business or any combination of electric utility experts, water and wastewater facility staff, professional organizations or individuals, trade associations or certified Energy Service Contractors or specialists. EDO shall be the final arbiter in determining the competence and professional credentials of the individual or firm selected by the borrower in conducting the energy efficiency audit. Only work, materials and equipment identified by the Energy Audit will be eligible for funds. Borrowers are encouraged to use the free services of the utility companies (i.e. FPL, FPU, etc.)
- d) Fees & Closing Costs. The cost of the environmental review, if any, architectural, engineering and environmental fees and soft costs associated with the closing of all loans.
- e) Capitalized interest.

E) Job Creation

- Only those applicants proposing to create/retain jobs will be considered for funding under the EEC Loan Program.
- The job creation and /or retention period begins at the commencement of the audit, with the issuance of a permit, certificate of occupancy, the end of a renovation project, or when all funds have been disbursed, whichever is first.

F) Energy Savings

- Electric/utility bills must be submitted by the applicant establishing proof of energy use during the loan period upon request. This will require a comparison prior and after work is completed.

G) Underwriting

In considering an application for an Energy Efficiency and Conservation Loan, the following procedure is used for all applicants:

1. Financial Analysis

Site Visitation – A site meeting with the applicant at its location will occur early in the process to gain insight into the business, answer the applicant's questions and request any needed information. The meeting should take place prior to submission of an application for the purpose of helping the applicant meet the EEC Loan Program guidelines or to inform applicants if they cannot meet such guidelines.

History and Business – An evaluation will be made on how long the applicant has been in business and the type of goods or services provided by the applicant. It is critical to analyze the request in respect to the specific type of industry. Not all industries have the same financing needs and payment terms to suppliers, and from customers. The balance sheet and operating ratios vary considerably from industry to industry.

Project Description - EDO shall require an Energy Audit. Free audits are normally provided by utility service providers. Only the work contained in the audit will be eligible for the loan. The Audit shall be accompanied by a construction estimate of the eligible work from a licensed contractor, architect or engineer.

Resume – Resumes will be analyzed. The resume(s) will provide insight into the background and qualifications of the principals and key management personnel. For example, someone who has been successful in running a delicatessen may not have the ability to operate a totally unrelated business such as a manufacturing concern.

Financial Statements – Three (3) years of historical financial or audited statements and tax returns are required. If the most recent annual statement is more than two months old, an interim statement of less than 30 days is also required. Statement analysis should include:

- Trend analysis;
- Ability to repay debt - both short and long term; and
- Adequacy of working capital.

Projected Financial Statements – Projected business financial statements showing repayment out of the first year is required, which includes balance sheets, operating statements, projections and a reconciliation of the net worth/capital section of the balance sheets. The projections must include the impact of the proposed financing and the underlying assumptions used to create the projections:

- Examine the probability of achievement given the underlying assumptions.
- Determine if projected cash flow will service proposed debt.

Personal Financial Statements - These are required from everyone having ten percent (10%) or more ownership of the business along with personal tax returns. Personal guarantees are generally required from principals of the applicant. Personal Financial Statements shall be submitted on SBA Form 413 or a similar form acceptable to the lender.

2. Financial Ratios

Loan to Value Target: 0.90:1.00
Debt service coverage ratio: 1.20:1.00

3. Appraisal

Because of the nature and size of the loan program, appraisals shall not be required. However, if the first lender requires an appraisal, a copy of such an appraisal shall be delivered to EDO.

4. Credit History

- Independent credit investigations are conducted on the applicant and the principals. This includes real estate searches, Uniform Commercial Code (UCC) searches with the County and Secretary of State and personal credit reports on the principals. This credit investigation is used, in part, to verify the accuracy of the information provided by the applicant and the principals and to find out if there are any undisclosed judgments, liens, etc.
- The credit investigation will be run by the primary lender when participating in the project and by EDO when the EEC loan is the only source of funding.

5. All applicants must agree in advance to allow EDO to obtain a credit report, bank verification, loan verification, electric/utility bills, etc.

6. As a U.S. Dept. of Energy requirement, all applicants must secure a DUNS number.

H) Collateral Evaluation

Collateral Type	Advance Rates	Value Determined By
<u>Real Estate</u>		
1. Commercial Owner Occupied	Up to 100%	Property Appraiser's Assessed Value or State Certified Appraisal
2. Income Producing Non-Owner Occupied	Up to 100%	Property Appraiser's Assessed Value or State Certified Appraisal
3. Raw Land	Up to 100%	Property Appraiser's Assessed Value or State Certified Appraisal
<u>Equipment</u> (includes vehicles)	Up to 100% of Liquidation Appraisal on used equipment and up to 100% of invoice on new equipment. If liquidation appraisal is not available, use 100% of book value.	Appraiser, Balance Sheet, Machinery/Equipment quotes
<u>Securities</u>		
1. U.S. Govt. Bonds	100%	NY Times or Wall Street Journal
2. Certificates of Deposit	100%	
3. Highly Marketable	Up to 80% of good grade listed in the NYSE, American or NASDAQ Exchanges.	NY Times or Wall Street Journal
4. Less Marketable	Up to 50% of thinly traded under \$10.00 value listed on an exchange.	NY Times or Wall Street Journal
5. Municipal Securities	Up to 80% of listed and traded bonds.	NY Times or Wall Street Journal
6. All Other Bonds	Up to 50% of listed and traded bonds.	NY Times or Wall Street Journal
7. Accounts Receivable	Up to 80% of eligible accounts receivable. Advance rates on accounts are a function of dilution rate, turnover, quality of customer sold, industry characteristics, warranty liabilities, and any unusual contractual obligations.	Accounting methods

I) Fees and Costs

1. Application Fee

A non-refundable fee of \$100 is payable at the time an application is submitted.

2. Processing fee

A non-refundable fee of \$1,000 is payable to County at the time of closing.

3. Other Fees

The applicant will be responsible for all other fees, including bank/SBA/independent institutional lender fees, appraisal and environmental fees, legal fees from outside firms and the Palm Beach County Attorney's Office, and any other fee. Applicants will receive a Good Faith Estimate of the projected Palm Beach County fees.

J) Environmental Assessment

All retrofit projects are required to complete an environmental questionnaire (EF-1) in accordance with Regulations of the Department of Energy. For projects that do not require the participation of another lender, EDO will require an EF-1 and if needed, for construction, an Environmental II Assessment. The cost of the environmental assessments ordered by EDO will be charged to the borrower at closing.

K) Other Program Information

All EEC Loan Program funded projects are required to comply with federal, state and local statutes, regulations and requirements, including but not limited to the Davis-Bacon Act, Workers Compensation, Buy American Act, and insurance requirements.

IV. PROGRAM ADMINISTRATION

A) Choosing a Project

Initial Meeting and Site Visitation

EDO staff will meet with the applicant(s) to discuss the project and make a visit to the business and/or site location as necessary. Staff will explain the program and provide the applicants with a checklist of required information. The visit should provide an opportunity for staff to explain to the applicant if assistance might be available or to inform applicants if they cannot meet such guidelines.

Preliminary Review of Information

EDO staff and the County's Consultant, if applicable, will perform a preliminary analysis of the audits, interim financial statements, tax reports, payroll information, debt schedule, business plan, copies of agreements, and any other required documentation. This preliminary review will reveal if (a) the project meets the program guidelines, (b) the applicant has the capacity of paying the debts to a first lender [if applicable] and the EEC Loan, and (c) the applicant has the capacity of fulfilling all of the requirements of the EEC Loan Program. If the preliminary review is positive, the applicant will be allowed to fill out a Loan Application Package.

B) Seeking Lenders' Participation

After determining that the project and the applicant qualify for the EEC Loan Program, EDO staff and the County's Consultant will prepare an EEC Loan Package that will include all supportive documentation for underwriting and collateral, and a Project Summary and Analysis. EDO and the County's Consultant may assist the applicant in seeking commercial lenders for the project as first lenders. EDO will send the loan package to the bank(s) of preference of the applicant as well as some of the local, regional, or national commercial banks, and authorized Small Business Administration (SBA) lenders throughout the United States.

The commercial/SBA/independent institutional lender who decides to participate in the project will be required to issue a Letter of Commitment to the applicant. The applicant will be responsible for submitting all of the required documentation requested by the lender to assure private participation.

C) Obtaining Loan Review Committee Approval

After determining that the project and the applicant qualify for the EEC Loan Program and have a participating commercial/SBA/independent institutional lender in the project, EDO and the County's Consultant will prepare an EEC Loan Package for the LRC. The loan package shall include the loan application package, all forms and information as required, all supportive documentation for underwriting and collateral, a Project Summary and Analysis, and letters of commitment from both the commercial/SBA/independent institutional lender and the applicant. The LRC shall either approve or disapprove the loan application. If approved, the loan package shall be filed for Department of Energy for approval and the Palm Beach County auditor's review, if applicable. Applicants will be informed if their loan is approved or disapproved.

D) Obtaining BCC Approval

After the LRC approves a loan application, EDO will seek approval:

- o When the project requires more than \$150,000 of EEC loan funds, the BCC is the only authority that can provide the ultimate approval. EDO will request the approval of the LRC and the approval of the BCC.
- o When the project requires less than or up to \$150,000 of EEC funds, meets all of the Program criteria and does not require special consideration or an exception to any of the criteria of the Loan Program, EDO will request approval from the LRC and the approval of the County Administrator or his designee.

E) Closing

Closings may be conducted by the primary lender's attorney subject to the approval of the County Attorney, or an outside Counsel, already selected for the HUD Section 108 Program by and under the supervision of the County Attorney's Office.

F) Servicing

Loan servicing regarding payments and submission of reports and financial statements will be carried out by EDO.

EDO staff and the County Attorney's Office will be responsible for supervising compliance with the loan closing documents.

G) Supervision and Reporting

EDO staff shall review on a yearly basis all financial statements of the borrower, compliance reports and make a field visit to the borrower's location at least once a year.

Borrowers who are problematic or cannot be brought into compliance shall be referred to the County Attorney's Office for corrective action.

V. BUSINESS REQUIREMENTS

Applicants who are awarded funding will be required to enter into an agreement with Palm Beach County.

Applicants are required to submit the following documents:

- a. PBC EEC Loan Application Package with a \$100 non-refundable fee.
- b. Supportive documents, as required.

Contact Information:

Palm Beach County Economic Development Office
301 North Olive Avenue, 10th Floor
West Palm Beach, FL 33401
Phone: (561) 355-3624, Fax: (561) 355-6017
Website: www.pbcgov.com/edo