



USDA Rural Economic Development Loans through Wheatland Electric Cooperative, Inc. Application Guidelines

Electric cooperatives like Wheatland Electric have been making a big difference to local economic development efforts for many years. The cooperative model—built on service before profit—has enabled cooperatives to invest in necessary community projects. The USDA Rural Economic Development Loan program (REDL) is no different. The program provides funds to community and economic development projects at zero-percent interest for a ten year period. These funds can be used in two ways: for public purpose projects or for economic development projects that involve new business start-up or existing business expansions.

Community Development Projects:

Community, not-for-profit, or medical for-profit projects can receive zero-interest funds to finance necessary community development projects. The applicant, often a city, county, or other not-for-profit group makes application to the Cooperative and promises to repay the loan. Types of projects that have used this funding include:

- ⇒ County hospital and medical clinic expansion
- ⇒ County fairground facilities
- ⇒ Rural and city fire trucks
- ⇒ Hospital x-ray equipment
- ⇒ Dental clinic equipment
- ⇒ County library expansion
- ⇒ Hospital fire sprinkler system installation

Currently, community development projects can receive up to \$300,000, which must be no more than 80% of the total project cost.

Economic Development Projects:

New or expanding businesses can receive zero-interest funds to finance a new business or expansion that involves job creation activities. The applicant, normally a private business, makes application to the Cooperative and provides a guarantee to the cooperative to repay the loan. Types of projects that have used this funding include:

- ⇒ New business start up for agri-business feed manufacturer
- ⇒ Purchase of modern equipment for a cabinet manufacturer
- ⇒ Construction of a new building for truck accessories manufacturer and a spa equipment dealer
- ⇒ Additional storage facilities for a grain merchandising company
- ⇒ Equipment for an ethanol facility
- ⇒ Equipment for a food-processing facility
- ⇒ Construction of a new hotel
- ⇒ Construction and equipment for a biomass processing facility

Currently, economic development projects can receive up to \$2,000,000 and must be accompanied by an irrevocable letter of credit from a supporting financial institution.

Wheatland Electric is committed to economic growth in the region. The enclosed information provides details of the process to secure a zero-interest loan for your project.

Step One: Board Approval

The first step to the application process is to request assistance for the project from the Wheatland Electric Board of Directors. To begin the process contact Bruce Mueller, Manager, at 800-762-0436. Please be prepared to provide Bruce enough details of your plan so he can present the formal request to the Wheatland Electric Board of Trustees. The Wheatland board meets each month.

Step Two: Intergovernmental & Environmental Review

Once you have board approval, The Intergovernmental Review must be completed. Program regulations require that state and local agencies be informed of a proposed loan application. Once notified, the agencies have 30 days to respond about a project. The information required for this review includes:

- ⇒ Brief project description, including the location, company involved, total project cost, and the source and amount of supplemental funding.
- ⇒ Legal description of the property, including mailing address.
- ⇒ If the project involves any type of construction include a site plan and building layout. Describe the type of construction that will take place.
- ⇒ Map of the area identifying the specific location of the project.
- ⇒ Current zoning information.
- ⇒ Size of project, i.e. number of acres, square feet, etc.
- ⇒ Permit status, including pending permit applications.
- ⇒ Photographs of property, including ground and aerial photographs.
- ⇒ Complete name, address, telephone number, fax number and e-mail address for the primary contact for the project.
- ⇒ A description of any waste materials, air emissions, or wastewater discharge from the completed project. Discussion not needed since emissions or wastes from the construction process are considered temporary.
- ⇒ A copy of a Phase One Environmental review, if completed for the property.

It is your responsibility to provide this information for the application. Once the application is submitted, it could take up to 90 – 120 days for the environmental review to be completed for a construction project. **You cannot begin construction or purchase equipment until you have received a letter from USDA Rural Development telling you the environmental clearance of the project has been granted.** Any purchases made after this date are eligible to be reimbursed with Rural Development funds.

Step Three: Business Plan

Each application requires a business plan be completed using the following format:

1. Project Description

This section of the plan should include the appropriate who, what, when, where and how questions regarding the project. State the total investment this project involves, and the number of employees that will be hired because of the project.

Identify the legal form of entity involved, including state of corporate domicile. Include the legal description and mailing address, and size of property involved.

2. Prospects of the Industry

Discuss why this business start-up or expansion will be successful within the industry. Identify trends or significant statistics within the industry, and discuss why this company will be successful.

3. What will be produced or accomplished

Based on the brief description in Section 1, discuss the project in as much detail as possible, including details of the construction process, how product will be manufactured, and how the product or service will be sold and delivered to the end user.

4. Area to be Served

Provide information about the geographic territory served by this business, including where the product will be ultimately shipped for end user.

5. Marketing Plan

The marketing plan should include research about potential customers for the business. Include statistical data that supports the premise of the size of the customer base.

Include information about competition, and specific details about why this company will be successful against existing competitors.

Discuss ways the company will promote and market products, including information about the distribution and sales channels used. Provide copies of any brochures or marketing materials used for promotion.

6. Operating Plan

This section addresses how daily operations of the business will function. Once the project is complete, how will business be conducted? Describe manufacturing processes, shipping, and inventory procedures.

Describe what people or what types of employees will be hired to carry out the work of the business. Provide a list including each job, skill level, full or part-time status, and pay scale. If applicable, discuss any government regulations that impact your business.

7. Total Project Costs

Identify the total project cost. Provide a list of specific costs by category. Be as specific as possible and provide copies of construction bids, equipment bids, and other documentation for project costs.

8. Financial Plan

Describe the premise used to develop financial projections. For each set of projections, identify the source of the information used in the cost projections. Describe in specific terms the financing for the project, including sources of all debt, the interest rate and term of each loan. Include a three-year projected balance sheet, a three-year projected income statement, and a 12-month cash flow. Also include historical financial statements for the past three years.

9. Source of Supplemental Funds

Include documentation of all supplemental funds including the terms and conditions of each source. If additional debt is involved, identify the financing terms. Identify which bank is supplying the irrevocable letter of credit to the cooperative, and the terms associated with the letter.

10. Proposed Ownership and Management of the Project

Provide a list, with addresses, of all the owners. Identify who will be directly involved in managing the project. Include job descriptions and résumés for key employees.

Step Four: Supplemental Information

Each application requires additional information, not limited to, but including:

- ⇒ A letter from the owners confirming that at least 20% of the project cost will be provided from the owners.
- ⇒ The letter confirming financial support should also include a paragraph with the following language: and your willingness to serve as a demonstration project to USDA for other rural communities interested in economic development projects.
- ⇒ Provide a letter from the financial institution who will provide the irrevocable letter of credit to the cooperative.
- ⇒ Provide a signed Certification Regarding Uniform Relocation Assistance form. This assures USDA that you will comply with the Uniform Relocation law which requires anyone displaced because of a project will be fairly compensated. A copy of the form will be provided for you.
- ⇒ Provide a signed Civil Rights Assurance form (RD 400-4). A copy of the form will be provided for you.
- ⇒ For community development projects, a copy of the minutes where the governing body discussed the project request and the approval to proceed with the project.
- ⇒ A list of all board members with contact information.
- ⇒ Résumé's for project owners and key staff.
- ⇒ Three year historical and projected financial statements.
- ⇒ Additional information specific to the project.

FOR MORE INFORMATION:

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Disclaimer:

I understand the following restrictions regarding this application:

- A. This is a competitive process, completing and submitting an application does not guarantee successfully receiving a loan.
- B. I will not begin expending funds for this project until I have received a letter from USDA Rural Development establishing the Environmental Clearance has been granted. Once this clearance has been received, I can expend funds or enter into contracts with the understanding those funds are eligible to be reimbursed with zero-interest loan funds.

DATE _____ SIGNED _____
Name, Representing

Wheatland Electric Cooperative, Inc.