

MINNESOTA INVESTMENT FUND
Program Manual
(State Funds)

1. INTRODUCTION

Funding for your project is provided with state funds appropriated by the Minnesota state legislature, under Minnesota Statutes 116J.8731, Minnesota Investment Fund (MIF) and rules governing Community Block Grants, Minnesota Rules Chapter 4300, and policies and procedures developed by the MN Department of Employment and Economic Development (DEED).

In this Manual, “grantee” and “you” refer to the local unit of government (city, county, township) or the EDA or HRA that was awarded the MIF grant.

This Manual is intended as a guide and reference, not as a substitute for a thorough knowledge of state regulations referenced in the manual. Any questions that you have concerning your grant award should be directed to your Loan Officer at DEED.

2. AWARD OF THE GRANT

You recently received a grant award letter signed by the commissioner of DEED. The purpose of the letter is to inform you that the grant was approved and is contingent upon completion of the Grant Contract requirements. Any project eligible expenditures made on or after the date indicated in the award letter are eligible for reimbursement.

3. IMPLEMENTATION MEETING

The DEED Loan Officer that is assigned to your region will schedule a meeting with you and other pertinent city representatives to discuss the implementation of the grant. Information provided at this meeting will include reporting requirements, release of the grant funds, conditions of the Grant Contract, loan documents and other grant management criteria specific to your project. This meeting should be held as soon as possible after the award of the grant.

4. GRANT CONTRACT

This is the legally binding document between the Grantee and DEED which sets forth the award amount, the time period allowed and the conditions of the award. The grant contract, by reference incorporates the grant application. You will soon be receiving this contract, via e-mail, from Cordella Martin. Please review this document closely and have the authorized officials execute the document. Cordella will provide instructions for the return of the contract to DEED. Once it is fully executed, you will receive a copy for your files.

There are four dates outlined in the Grant Contract you will receive that you will want to be aware of. Please note that no hiring can begin and reimbursable expenditures can be made prior to the Effective Date.

- a. Effective Date: Date indicated in the Award Letter.

- b. Benefit Date: Date equipment operational or building certificate of occupancy issued
- c. Compliance Date: 2 years from Benefit Date
- d. Expiration Date: 3 months after Compliance Date

5. LOAN DOCUMENTS

Your DEED Loan Officer will provide you with draft documents as appropriate. You will be sent a Loan Agreement, Security Agreement, Promissory Note, Guaranty, and Security Agreement templates.

6. PAYMENTS

Payment to the Grantee is provided on a cost reimbursement basis and is compensation for actual expenditures that have already been paid. The Grant Contract will outline the details of payment related to your specific project and define the pro-rate cost sharing basis. DEED will not release funds until the required information has been submitted and approved by your DEED Loan Officer which will include, but may not be limited to:

- a. Fully executed Grant Contract.
- b. Clearance of specified special conditions of the Grant Contract.
- c. Submittal and approval of the loan agreement, promissory note and security documents between you and the company.
- d. Submittal of a disbursement request form to your Loan Officer.

Payments are processed bi-weekly. Your loan officer will provide you with the schedule. All documentation and the payment request form must be received by your loan officer by end of day on the Friday before the week that payments are processed. If the information is approved by the loan officer, the funds will be electronically transferred to the city by the following Friday. Payment must be transferred to the Borrower within one week of receipt by the Grantee.

7. REPORTING REQUIREMENTS

The City is responsible for submitting two separate progress reports to DEED, annually, until the end of the grant period, typically 2 years, or until the project is complete, whichever is later.

- a. Minnesota Investment Fund Progress Report
All project costs must be documented. Therefore, each report must include documentation of these expenditure for that time period. This information may include invoices, preliminary or final construction statements, etc. The final report must include a payroll report reflecting the total number of jobs at the business.

The MIF report is due to your Loan Officer no later than January 25 for the period ending December 31 for each year the project remains open. It is imperative that this report be completed correctly and submitted on time. Some projects may require more frequent reporting.

All projects are required to remain open for two years, no matter when the project, including the job creation is complete. Since this most likely will occur other than at the end of the reporting period (December 31) you must submit a final progress report no later than 26 days after the Compliance Date, see Grant Contract for specific dates.

b. Minnesota Business Assistance Form (MBAF).

This report must also be submitted annually to DEED's Office of Economic Analysis no later than April 1 of each year until the project goals have been met as identified in the MIF Grant Contract. If you have questions regarding this report, please contact Ed Hodder, 651-259-7179.

Following is the link to this report:

<http://mn.gov/deed/government/business-subsidy/report-forms/>

8. PROJECT CHANGES

During the implementation of the grant, a situation may arise that requires a change to the approved project or budget. Before any change is made you must contact your loan officer to discuss the change. In most cases, the loan officer will ask that you submit a letter stating the nature and justification for the proposed change and a public hearing may be required. If the change involves any conditions of the grant contract, your loan officer will send you a formal amendment to have executed.

In the event that the business is not able to meet their job and wage goals prior to the compliance date, a one year extension may be granted. The Grantee may, after holding a public hearing, extend the grant period for one year from the Compliance Date, after approval by the State. If, after the extension, the Borrower fails to meet the job creation goal and wage level commitment, the Borrower will be required to repay the Grantee all or a proportional share of the Loan funds on an accelerated term. The Grantee will then also be required to return to the State all or a proportional share of the Loan funds.

The Grantee is responsible to notify DEED of any material changes to the business status (e.g. late payments, layoff initiated by the company, etc.) at any time during the grant period.

9. AUDIT

The Grantee's year-end financial audit must include documentation showing the receipt and expenditure of grant funds. This audit must be submitted to your DEED loan officer within 30 days after you receive it.

10. DEED ROLE

Administration of the **Minnesota Investment Fund** involves many aspects. The three areas that affect you the most are:

- a. Provision of technical assistance. Ongoing assistance through training sessions, materials and, as needed, meetings to discuss the unique situations of the grant is available to you through your DEED loan officer.
- b. Performance Monitoring. Monitoring will occur throughout the life of the grant in the form of onsite visits, correspondence, review of progress reports and phone conversations. Onsite visits will concentrate on record keeping, compliance with state regulations, rate of progress and fiscal management.
- c. Compliance and Enforcement. Enforcement is an ongoing activity that begins with the language of the assurances in the application. By providing the Grantee with assistance when needed and by monitoring project activities, DEED expects that the number of incidences where enforcement measures are necessary will be rare, especially when ongoing dialogue between you and DEED exists. Enforcement measures range from issuance of formal citations, temporary suspension of payments, required remedial action, termination of Grant Contracts and request for the return of funds.

These areas have one common purpose: to provide assistance to help you successfully implement the project. DEED strongly recommends and encourages questions whenever grantees are uncertain of program requirements.

11. CONFLICT OF INTEREST

In small towns and other communities receiving MIF funds, it is possible that conflicts of interest may arise when undertaking programs that provide assistance to small businesses in the downtown or community. Local recipients should be aware of the applicable conflict of interest requirements when administering economic development programs.

These provisions are designed to ensure that persons that are directly affiliated with the local government, as well as their family members or business associates, will not inappropriately benefit from the administration and distribution of MIF funds. The Grantee should identify any potential conflicts early in the planning process before a grant application is submitted in order to take appropriate steps to disclose and/or avoid the conflict in compliance with state law.

12. REVOLVING LOAN FUNDS

Policies and procedures for implementation of your Revolving Loan Fund must be established per DEED guidelines. This information must be kept on file. These guidelines may not be changed or amended without approval of the DEED Loan Officer. If there is an interest in transferring funds to a Local Development Organization (LDO), please contact your Loan Officer.

13. RECORD RETENTION

The grantee is responsible for retention of all financial records, supporting documents and other records pertinent to the grant program for a period of seven years after the loan is paid in full. During

the Grant Period the DEED Loan Officer will come on site to review the project file and financial management documentation related to the project.

Files should be maintained including the following:

1. Project File:

a. Application:

- i. Application.
- ii. Amendments and revisions to the application, if any.
- iii. Correspondence.

b. Grant Contract:

- i. Original signed Grant Contract, requests for project changes, Grant Adjustment Notices.
- ii. Payment requests.
- iii. Progress reports and any DEED correspondence regarding the progress reports.
- iv. Contracts with implementing agencies if different from the grantee.

c. Loan Documentation:

- i. Loan Agreement.
- ii. Promissory note.
- iii. Amortization schedule.
- iv. Security documentation.
- v. Evidence of date of disbursement to the Borrower.
- vi. Expenditure documentation from the business on the use of MIF funds (e.g. invoices, canceled checks, bank statements, etc.).
- vii. Expenditure documentation from the business on leveraged funds (e.g. invoices, checks, time sheets, donations, etc.)
- viii. Documentation of loan repayments.

d. Monitoring/Inspection File:

- i. Monitoring correspondence.

e. Audit:

- i. Audit report.

f. Closeout:

- i. Closeout Notification from DEED.

g. Revolving Loan Fund Policies and Procedures

h. General Correspondence

2. Financial Management Documentation:

You must maintain a financial management system that provides accurate, current, and complete disclosure of the financial status of each grant-supported activity. The system must be capable of generating any financial status reports required by the Department and include procedures for determining whether charges to the grant are reasonable, allowable, and allocable.

The following are the minimum requirements to account for your grant. You may use your jurisdiction's own accounting standards and procedures when they meet or exceed these minimal requirements.

- a. **Record of MIF funds received and disbursed:** The MIF funds received and disbursed must be accounted for separately by grant and maintained so that the total MIF funds received can be verified for any given period of time. Your accounting records must record the date the funds were received and be traceable to the bank account used. If account numbers are used, a separate account number should be set up for each grant.