



**CITY OF GREAT FALLS
COMMISSION AGENDA REPORT**

Item: Great Falls Development Authority Loan Forgiveness

From: City staff

Initiated By: Brett Doney, President, Great Falls Development Authority

Presented By: Brett Doney

Action Requested: Forgive Outstanding Loan

Suggested Motion:

1. Commissioner moves:

Motion 1. "I move that the City Commission (approve/deny) the request of the Great Falls Development Authority to forgive the current outstanding loan balance of \$246,423.05."

Motion 2. "I move that the City Commission deny the request of the Great Falls Development Authority to forgive the current outstanding loan balance of \$246,423.05 and instead approve the following:

1. Credit interest and payments made back against the original principal reducing the amount owed to \$203,132.14.
2. Provide for an interest free loan from inception and going forward.
3. Defer all payments until July 1, 2009.
4. If GFDA operates at a profit for each fiscal year of a three year period ending June 30, 2011, then the City agrees to credit back to GFDA each July, beginning July 1, 2009, one third of the ~~\$135,500~~ **\$138,500** GFDA investment into the EDA loan fund. (\$46,166.67 each year)."

2. Mayor calls for a second, discussion, inquiries from the public, and calls the vote.

Staff Recommendation: Motion 2 was provided by Commissioner Beecher after consulting with Brett Doney, President of the Great Falls Development Authority.

Background: On April 15, 2003 the City Commission authorized the City Manager to execute an Economic Development "Bridge" Loan Agreement to High Plains Financial, Inc. to provide quarterly draws, up to a total of \$250,000 to provide funds for the first three years of operations of the High Plains Financial, Inc. The Great Falls Development Authority guaranteed the loan, at an interest rate of 3.48%. Repayment was to begin April 30, 2006 at which time a fixed rate of

interest would be determined for the remaining life of the loan. On September 5, 2006 the City Commission extended the due date to April 30, 2007. Repayment terms established at that time were monthly payments, beginning July 2007, of the outstanding principal of \$250,000 and interest of \$25,951.16, at 5% on the total due, for a period of 5 years.

On July 17, 2007, the loan responsibility was transferred to The Great Falls Development Authority and monthly repayment amounts were established at \$5,207.54 to begin August 1, 2007. Nine Loan repayments were made. The loan is in default and the outstanding balance of principal and interest is \$246,423.05.

On August 27, 2008, a letter from Brett Doney was delivered to the City Manager requesting that the City convert the outstanding loan balance to a grant. This request follows a July 2, 2008 email from Mr. Doney sharing information on what GFDA would do to balance their budget since the City did not increase its annual commitment this fiscal year. The email is attached.

In addition to the loan, and past loan guarantees, the City has also made annual contributions since 1998 in support of the Development Authority of \$85,000 increasing to \$100,000 in 2007.

Significant Impacts: Money for this loan was advanced from the Economic Revolving Fund. That fund has a negative balance as of June 30, 2008, except for the BRAC funds held in trust. This results in the City not having resources to assist with its obligations to the FAA on the Automated Flight Service Station or to help with other economic development opportunities. The City owns the AFSS which is currently leased to the FAA for \$1 per year. In addition the City is responsible for maintenance of the grounds and the facility. This lease, and the City's obligations expire in September 2009.

Related Issue: Staff also reports that the GFDA is delinquent \$20,533.31 for its 2007 share of expenses related to the Washington consultant, Capitol Decisions, jointly hired by the City, the Airport Authority and GFDA. Delinquency report attached.

Fiscal Impact: By disapproving this request the City could reduce the stress on the General Fund by covering \$62,490.48 of its \$100,000 commitment for annual support to GFDA from the repayments and thus, the General Fund contribution to assist in support for GFDA would be reduced to \$37,509.52 for the next four years. However, if GFDA is not successful as an organization, the City could well have responsibility for economic development efforts for the City at costs that may exceed these current financial contributions.

Alternatives: 1. The City Commission can approve the request. 2. The City Commission could choose to deny this request to convert the loan to a grant. 3. The City Commission could defer repayment until some future date. 4. The City Commission could renegotiate the terms of the loan. 5. The City Commission could forgive the loan with the offset that additional City annual operating support would not be transferred to GFDA until July 2011.

Attachments/Exhibits:

1. Letter of request from Brett Doney, President of the Great Falls Development Authority dated August 27, 2008.
2. Email from Brett Doney dated July 2, 2008.
3. Delinquency notice to GFDA for their share of Capitol Decisions expense.

