

CHAPTER 8 – ECONOMIC DEVELOPMENT PROJECTS

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COMMUNITY DEVELOPMENT BLOCK GRANT
ECONOMIC DEVELOPMENT PROGRAM
BUSINESS RESOURCES DIVISION
CHAPTER 8 - ECONOMIC DEVELOPMENT PROJECTS

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CHAPTER 8

COMMUNITY DEVELOPMENT BLOCK GRANT ECONOMIC DEVELOPMENT PROJECTS

I. OVERVIEW

The purpose of this chapter is to assist local governments and local development organizations implementing economic development projects funded by the Community Development Block Grant – Economic Development (CDBG-ED) Program. Because economic development projects involve both the private and the public sectors, clarification of the federal and state requirements that are applicable to each private and public sector participant is necessary. Many requirements that will apply to the local government, as a public entity, will not apply to the private sector for-profit or nonprofit entity. In addition, some requirements that may apply to one type of economic development project may not apply to another project because of the different activities being conducted.

To a private business person, many of the federal regulations associated with the program may seem more applicable to traditional public sector projects. However, it is the responsibility of all CDBG-ED recipients to comply with applicable federal and state laws, executive orders, and regulations affecting their projects. The major federal requirements that may apply, as listed in the CDBG Certifications for Application, will become specific conditions of the grant contract between the Montana Department of Commerce (MDOC) and the local government. Certain requirements will also apply to the agreement between the local government and any business or agency that will receive CDBG-ED assistance through a loan or grant.

Local governments should carefully review these requirements and consider their potential impact when implementing their CDBG-ED project. These laws can affect the costs and complexity of the project and the schedule for completion.

NOTE: Communication with CDBG-ED staff during the MDOC contract period ensures grant recipients meet program requirements. Program requirements can be complicated. Your CDBG-ED liaison can provide guidance towards meeting contractual obligations.

Local governments and businesses should also be aware that **it will take at least two months or longer after the decision to award funds has been made before they will actually receive any funds**. This delay occurs because several activities must take place, called “start-up conditions”. For example, the contract between the local government and the Department must be prepared, the local government must conduct a review of environmental factors, and all the details for assuring proper management of the project and the expenditure of federal funds must be finalized.

NOTE: It is absolutely essential that the applying local government and the assisted business not incur ACTIVITY costs or obligate funds, which are intended to be reimbursed with CDBG-ED funds prior to the date that all contract start-up conditions (Section 14, Special Conditions, of the contract) including signing the loan agreement if applicable, are satisfied by the local government and approved in writing by the MDOC. The local government may incur ADMINISTRATIVE costs as directed by the Department, from the date of CDBG-ED award.

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II. APPLICABLE REQUIREMENTS

The following state and federal requirements are discussed in more detail in the appropriate chapters of the CDBG Program Grant Administration Manual. Each of the following sections discusses the requirements of each chapter in terms of how the requirements may be different for economic development projects.

A. Chapter 1 - Project Start-up

All of the requirements discussed in **Chapter 1, Project Start-up**, apply to all economic development projects. The local government must complete all of the steps outlined in the chapter before CDBG-ED funds will be made available for drawdown. Shortly after the funding award decision, the CDBG-ED program will notify the local government of required start-up conditions.

B. Chapter 2 - Environmental Review

Local governments must follow all of the applicable steps in this chapter and receive either a written release of funds or a concurrence with a finding of exemption from MDOC before CDBG-ED funds can be released. Completion of the full environmental review checklist must be initiated soon after CDBG-ED funds are awarded since it may take one month or more to complete the environmental review (*see **Appendix E, Full Environmental Checklist for CDBG Economic Development Applications, Application Guidelines for CDBG Economic Development Projects***). Different projects will require varying levels of environmental review (see **Chapter 2** and **Exhibit 8-H** for information on the environmental process). **The CDBG-ED staff should be contacted for help in determining the appropriate finding level for each project.**

NOTE: It is absolutely essential that the applying local government and the assisted business not incur ACTIVITY costs or obligate funds, which are intended to be reimbursed with CDBG-ED funds prior to the date that all contract start-up conditions (Section 14, Special Conditions, of the contract) including signing the loan agreement if applicable, are satisfied by the local government and approved in writing by the MDOC. The local government may incur ADMINISTRATIVE costs as directed by the Department, from the date of CDBG-ED award.

C. Chapter 3 – Procurement Standards

All of the provisions contained in **Chapter 3, Procurement**, apply to a local government's procurement of goods or services that will be paid for in whole or in part with CDBG-ED funds. The procurement requirements do not apply to private sector procurement of goods or services even if they are to be paid for with loaned or granted CDBG-ED funds that have been provided by the local government. For procurement of grant administration services, see **Exhibit 8-J**.

D. Chapter 4 - Financial Management

Local governments must comply with all of the applicable financial management requirements contained in **Chapter 4, Financial Management**. A private sector entity would not have to comply with the financial management requirements in the chapter, except as provided for in this chapter, and in any agreements between the local government and MDOC, and between the local government and the assisted private sector entity. There are specific requirements related to the drawdown of funds by the local government for economic development projects, program income and revolving loan funds, and other financial requirements that will apply to the local government and the assisted private sector entity. These requirements will be discussed later in this chapter.

A management plan will have to be completed, as part of project start-up conditions that outlines responsibilities of all parties during the contract, including financial management. Please refer to **Exhibit 8-M1, 8-M2, or 8-M3** for CDBG-ED projects.

E. Chapter 5 - Civil Rights

All civil rights requirements apply to the local government even if the requirements are not directly related to economic development, such as adopting and publicizing a fair housing resolution by the local government. The local government must obtain information from the business in order to comply with some direct benefit reporting requirements discussed in **Chapter 5, Civil Rights, and Chapter 13, Project Closeout**. The assistance agreement between the local government and the business will contain sections requiring the business to comply with federal nondiscrimination laws. The hiring and training plan also must contain a provision that the business will comply with equal opportunity and nondiscrimination laws.

F. Chapter 6 - Labor Standards

Federal Davis-Bacon wage and labor requirements should be given careful consideration when planning CDBG-ED funded economic development projects. Davis-Bacon wage rates could apply to some economic development projects. Projects that include construction, remodeling, site development, equipment installation or other similar activities involving the use of CDBG-ED funds for contracted labor and services will usually have to comply with Davis-Bacon requirements. The additional costs associated with Davis-Bacon wage rates should be considered when calculating project costs and when obtaining estimates from potential contractors.

All construction contracts funded in whole or in part with CDBG-ED funds must include federal labor standards provisions. This includes contracts funded either with CDBG-ED funds directly by the local government or with CDBG-ED funds provided to the business. The local government must ensure that the business complies with the following federal labor standards laws: Davis-Bacon Act, Copeland Anti-Kickback Act and the Contract Work Hours and Safety Standards Act.

The Davis-Bacon Act requires that workers on federally funded construction contracts receive no less than the federal prevailing wage as established by the U.S. Department of Labor. The law applies to most construction, alteration and renovation contracts of \$2,000 or more.

The Copeland Anti-Kickback Act requires that workers be paid weekly and that their employer not illegally charge them for the privilege of working. Contractors and subcontractors must maintain complete employment and payroll records, and submit weekly payroll records to the local government, even if the construction is procured and contracted by the assisted private sector entity, using CDBG-ED funds in whole or in part, to pay for the contracted services.

The federal Contract Work Hours and Safety Standards Act specifies overtime compensation for workers.

Chapter 6, Labor Standards, and Chapter 9, Public Facilities, contain a much more detailed description of the requirements that will be applicable to economic development projects that include construction activities.

Davis-Bacon wage rates would not apply in cases where:

- A contractor who bids successfully on the project is a sole proprietor and will perform the work entirely him/herself, without additional employees (**Note:** sole proprietors still must submit weekly payrolls that indicate that he/she is the owner and the hours she/he worked)
- Equipment installation is limited to the equivalent of plugging it into the electrical system or placing it on the floor with only minor attachment work required
- Equipment installation by the company selling the equipment is a condition of the equipment's guarantee

Davis-Bacon wage rates do not apply to the business' existing work force or to newly hired low and moderate-income persons when they are occupied at their regular duties as described in their regular job description. The entity to receive assistance may utilize its existing labor force for minor, incidental work on project activities only when no separate contracts to perform the work involved in the project activities are entered into by the entity and its existing work force. The workers cannot conduct work, which would be required to be done by licensed or certified persons (e.g., electricians, carpenters, or plumbers).

There are many combinations of activities and funding sources in CDBG-ED economic development projects that may or may not trigger federal labor standards. Consult with the CDBG-ED Program staff when in doubt about when the project activities will trigger federal labor standards. Often, the local government and the business may not know exactly in advance which contracts or activities could trigger federal labor standards for the project. Assistance agreements, therefore, should include the appropriate federal labor standards compliance sections if there is a possibility that some CDBG-ED funded activities could trigger compliance actions.

G. Chapter 7 - Acquisition and Relocation

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, **applies to any acquisition of real property if federal funds are involved in any part of the project cost.** "Voluntary" acquisitions are not subject to the stricter provisions of the Uniform Relocation Act. Contact your CDBG-ED liaison to determine the project scope and whether the acquisition is voluntary or non-voluntary.

H. Chapter 9 - Public Facilities Construction Management

This chapter applies to economic development projects that involve publicly contracted construction by the local government. It does not apply to private-sector contracted facility construction. Chapter 9 would apply, however, to the development of an industrial park that involves the construction of related water, sewer, and street improvements by the local government using CDBG-ED funds.

I. Chapter 11 – Involving the Public

Both the local government and the business should carefully consider how they represent the project to the general public and interested parties. The local government should keep proprietary information secured and maintain the confidentiality of business financial statements received from the business.

J. Chapter 12 – Project Monitoring

CDBG-ED program personnel will conduct a monitoring visit to the local government at least once during the implementation of the project. The monitoring agenda will include a visit to the local government, the project manager, if applicable, and the assisted business, with a review of specific loan documentation and other records. The local government and its project manager, if applicable, will have the responsibility to monitor the process and compliance actions of the business during the project.

Not all of the monitoring items found in **Chapter 12** may apply to economic development projects. Your CDBG-ED liaison will provide you with additional guidance before the monitoring visit.

K. Chapter 13 - Project Closeout

This chapter applies to all local governments. The business must provide sufficient information for the local government to fill out the closeout certifications and reports.

Local governments must submit a conditional closeout report within 90 days of completion of project activities. When the final audit is completed, a final closeout will be issued if there are no outstanding issues.

L. Chapter 14 - Project Audits

All expenditures of CDBG-ED funds by the local government and private nonprofit sub-recipient are subject to the requirements and threshold limits for audits contained in OMB Circular A-133 and the “Common Rule” (“Administrative Requirements for Grants and Cooperative Agreement to state, local, and federally reorganized Indian Tribal Governments”). Generally, entities that **expend** \$500,000 or more in a fiscal year in Federal funds from **all** sources must have a single or program specific audit conducted for that year.

Private sector entities (i.e., businesses receiving loans) do not have to be audited. The local government, however, must require financial documentation and reports from the business, including documentation of the propriety of the use of CDBG-ED funds by the assisted entities and periodic financial statements.

III. LOCAL GOVERNMENT RESPONSIBILITIES

In addition to all of the applicable compliance actions and procedural steps contained in the chapters discussed above, the local government and the assisted business must follow the steps outlined in the following sections.

A. Prepare the MDOC Grant Contract

As part of the project start-up process, MDOC and the local government will work together to prepare the grant agreement or contract. The grant contract is the legal document that governs the administration of the grant and includes the following items:

- The amount of CDBG-ED funds to be provided;
- The scope of services;
- A detailed budget for the CDBG-ED funds and any other funds involved in the project;
- The schedule for implementation of project activities and the scope of work to be completed; and
- The general and special terms and conditions associated with the grant.

The negotiation process will include fine-tuning the project budget and implementation schedule, identifying any special conditions that will be included, and defining the key elements of the project in specific terms. If major changes in the project are proposed when the contract is being developed, MDOC will consider whether the modifications are substantial enough to require reevaluating the project by the loan review committee. Each provision is legally enforceable and designed to spell out the respective obligations of MDOC and the local government.

Sample contracts for economic development are included in **Exhibit 8-A1 or 8-A2**. The CDBG-ED liaison assigned to your project will prepare the MDOC contract. The contract will reflect the key elements of the project as described in the original CDBG-ED application. Local officials should pay particular attention to the sections addressing grant amount, scope of work, conditions, budget, and project implementation schedule.

The MDOC recommends that the local government's attorney review the contract to ensure that it is consistent with the community's legal authority and interests. Any concerns should be communicated to the CDBG-ED liaison assigned to the project. The CDBG-ED liaison will work with the local government on any necessary modifications before the contract is signed by the MDOC Director, and the local government's chief elected official or executive officer. Two copies of the contract require original signatures. The local government will receive one completely signed copy, and the MDOC will retain one copy. **The contract is not in effect until the local elected official or city manager and the MDOC Director have signed it.**

NOTE: No CDBG-ED funds will be released to the local government until a grant contract is fully executed and the local government complies with all required contract start-up conditions.

B. Prepare a Grant Assistance Agreement and/or Loan Agreement

A grant assistance agreement or loan agreement must be executed for all economic development projects. Generally agreements involve loans for working capital or equipment purchases, grants for job training, or grants for indirect assistance such as the construction of supporting public facilities in an industrial park. Each type of agreement involves different considerations. However, all agreements commit the business to the specific scope of activities, to compliance with the hiring and training plan, and to compliance with other applicable requirements.

No agreement will be executed until the draft is sent to MDOC and the contract's CDBG-ED liaison has reviewed it. Agreements are not in force or in effect until the business and the local government representative have signed it.

Assistance agreements for infrastructure improvements for a business must contain a signed assurance from the company that in the event the company does not meet its hiring and training goals within the contract period, the company will reimburse the local government for the full amount of the infrastructure grant.

NOTE: After agreements are signed, no amendments can be made during the CDBG-ED grant contract period without prior written approval from the MDOC.

Exhibit 8-C contains sample assistance agreements for training grants and infrastructure projects. Grant assistance agreements must be used between the local government or local development organization, and the assisted business. It is very important that the local government's attorney review and approve all assistance agreements involved in the project.

Loans typically include the following documents:

- Loan application
- Insurance policy
- Loan agreement
- Promissory note
- Security agreement
- Deed of Trust or Mortgage (as applicable)
- Agreement of prior lien holder (as applicable)
- Personal guarantee
- UCC filings or security lien filings

NOTE: No CDBG-ED funds will be released to the local government until the loan agreement is signed and the local government complies with all contract start-up conditions.

C. Obtain Final Approval of the Hiring and Training Plan

A draft Hiring and Training Plan is to be submitted with the application for funding. Before funds can be released for a project, the MDOC must review and give written approval of the Hiring and Training Plan. In many cases, some modifications must be made to the Plan. The final Plan must then be signed by all responsible parties and resubmitted to the MDOC for approval.

The assistance agreement between the local government and the business must contain conditions regarding the hiring of LMI persons. The business must show substantial compliance with the hiring and training plan and a "good faith" effort toward accomplishing the hiring goals set out in the assistance agreement before the project can be closed out. To comply with federal requirements,

the MDOC must ensure that performance goals are achieved; therefore, the assistance agreement will contain a penalty clause for noncompliance with the hiring and training plan that could result in the recovery of grant funds from the business or the local government recipient.

Local governments and assisted entities must take into consideration equal opportunity and nondiscrimination laws to ensure that women and minorities are not excluded from participation in, denied the benefit of, or subjected to discrimination under any program or activity funded in whole or in part with CDBG-ED funds.

At a minimum, an acceptable hiring and training plan (**Exhibit 8-G1**) should contain the following:

- A breakdown of jobs to be created or retained, indicating the percentage which are full-time, part-time, skilled, semiskilled, or unskilled;
- A discussion of the actions to be taken to ensure that the positions created will be made available to persons of low and moderate income;
- A breakdown of jobs to be created, indicating the job titles and descriptions and the rates of compensation. For applications proposing positions involving less than full-time employment, an estimate must be included of the number of hours to be worked each week or months to be worked each year for each position;
- A timetable for creating the jobs, the total number of persons to be hired, and number of LMI persons to be hired. The Department will generally use the number of jobs to be created or retained within a period of two years from the date of grant award;
- An assurance that the business will comply with equal opportunity and nondiscrimination laws;
- Procedures for the outreach, recruitment, screening, selection, training and placement of workers that will ensure maximum access for local residents, particularly persons of low and moderate income;
- A description of the training curriculum and resources, if applicable;
- Written commitments from any agencies or organizations participating in the implementation of the plan; and
- A written commitment from the business to comply with the plan.

Minimum job requirements should not exceed the equivalent of a high school education in order to be counted as a job opening available to LMI persons. If job qualification requirements exceed the equivalent of a high school education, training can be provided to enable otherwise unqualified persons to qualify for the position. The jobs that are to be created must be physically accessible to the LMI population within a reasonable geographic area.

D. Obtain Final Approval of the Hiring and Training Plan for Customized Training of Employees

In addition to the information above, the Hiring and Training Plan for a business receiving a grant for customized employee training must contain a signed assurance from the company that in the event the company does not meet its hiring and training goals within the contract period, the company will reimburse the local government for the full amount of the labor-training grant. The

Hiring and Training Plan for Customized Training of Employees becomes an attachment to the contract between the MDOC and the local government (see **Exhibit 8-G2**).

E. Revolving Loan Fund Plan

CDBG-ED projects that involve the loan of CDBG-ED funds to the business must plan for the use of program income. There are a large number and variety of eligible uses for CDBG-ED funds. (See **Exhibit 8-K, Eligible Activities**.) The local government has flexibility in planning for the use of program income. Generally, local governments choose to use program income from economic development projects involving loan repayments to capitalize an economic development Revolving Loan Fund (RLF). Program income from economic development projects can be blended with program income from other CDBG-ED projects, such as housing rehabilitation, and used for eligible community development projects. The MDOC encourages local governments to use program income from economic development projects for similar purposes such as developing local capacity for packaging economic development projects and for ongoing economic development activities.

Program income can be used for hiring experienced staff trained in financial analysis that can actively promote economic development for the community. **Local governments are strongly encouraged to subcontract with the Certified Regional Development Corporation (CRDC) in their area for regional revolving loan fund activities. For a list of CRDC's see the following website: <http://businessresources.mt.gov/CRDC/default.mcp>**

The Department allows program income to be retained by the local government if the local government has developed an adequate plan for the expenditure of these funds. The local government must submit to the Department, for approval, a plan for the ongoing use and financial administration of any program income. The plan must be submitted **before** the Department will release funds and before the business begins making loan repayments. It is very important that the local government demonstrate that it has, or will quickly develop, the capacity to set up and manage an RLF for future eligible community development projects.

"Program Income" is any income earned by a local government from CDBG-ED-supported activities such as repayments of principal and interest to a local RLF for an economic development project. An "RLF" is the administrative umbrella for the re-use of program income in the making of low-interest community loans that is managed according to a written set of guidelines developed by the community. Revolving loan funds are a subset of program income that has been set-aside in a separate fund with a separate set of accounts. In the case of a CDBG-ED project, the RLF is established to carry out eligible economic development activities that in turn generate program income through loan repayments and interest earned. Revolving loan funds are allowed to earn interest and grow. The funds do not have to be drawn down while the project is open. Theoretically, the revolving loan fund becomes a fund from which monies are continuously expended, replenished, and again expended. See **Exhibit 8-N**, Program Income Flow Chart.

The MDOC can recover program income from local governments if the program income is not going to be used on the same project that has generated program income and if the local government does not develop a satisfactory program income plan. For further guidance you may request from MDOC the *CDBG-ED Program Income and Revolving Loan Fund Manual* published by the Montana Department of Commerce in 2005. Contact your CDBG-ED liaison for assistance. **Exhibit 4-H** also has additional information on program income.

1. State and Federal Requirements for Program Income Plans or Revolving Loan Fund Plans

Federal regulations and guidance from the U.S. Department of Housing and Urban Development require that program income received by a local government before the project is closed out be used in accordance with the provisions of Title I of the Housing and Community Development Act of 1974, as amended. All regulations and requirements that applied during the term of the project would apply to program income received before closeout.

Any program income received by the local government after closeout is subject to the provisions of Title I of the Act until all open CDBG-ED projects are closed out by the local government, if any. Program income received after a project is closed out is also subject to the provisions of Title I. Montana CDBG-ED Application Guidelines require that all program income received be expended on CDBG-ED eligible activities, benefit 51% LMI persons, and be accounted for. The local government must continue to maintain the following records and information:

- Sources of program income including interest earned;
- Dates and amounts of program income receipts and disbursements;
- The CDBG-ED-eligible activities funded with program income;
- For program income received before all open CDBG-ED projects are closed out, records documenting compliance with Title I requirements.

In addition, the local government must:

- Submit the Loan Portfolio Data (LPD) report once a year, for period ending December 31. Receipts of loan payments and expenditures must be reported in addition to project specific data. This report should include the entire loan fund's activity and balance for primary and secondary loans. (See **Exhibit 8-I**);

The local government must develop a process for managing, accounting and reporting program income, which must be incorporated into the Program Income Plan, or RLF Plan. In addition, the local government must develop a process for selecting eligible firms that will likely maximize the benefits received from the use of program income. It will be necessary for the local government to develop guidelines for the selection of the best applicants and for the management of economic development projects selected for funding. Local governments must develop the capacity for handling the complexities of managing economic development RLF's.

The MDOC recommends that local governments base their RLF guidelines on the *Application Guidelines for the Community Development Block Grant Economic Development Program*. The local government can select the sections that best apply to their situation and economic development goals. Keep in mind that if Title I requirements (**Exhibit 8-K**) apply to the use of program income in the revolving loan fund, the local government must use at least the equivalent of the Montana CDBG-ED guidelines and also comply with the CDBG-ED requirements contained in this manual.

The local government should select a loan review board that will be responsible for publicizing the availability of economic development funds for local projects, for applying the selection criteria when choosing the best applications, and for managing the loan portfolio. Local governments are encouraged to include bankers, certified public accountants, lawyers, the business community, as well as include the general public in the loan review board activities.

Local governments are strongly encouraged to subcontract with the Certified Regional Development Corporation (CRDC) in their area for regional revolving loan fund activities. For a list of CRDC's see the following website:

<http://businessresources.mt.gov/CRDC/default.mcp>

2. State Guidance for CDBG-ED Revolving Loan Funds Administered by a Local Government

Program income (loan repayments) received by a local government after closeout must continue to be used in accordance with the provisions of Title I. As such, all regulations and requirements that applied during the term of the project will apply to the program income received after closeout

a. Before Project Closeout – All Years:

- Program income received by a grantee before closeout must be used in accordance with the provisions of Title I. As such, all the regulations and requirements that applied during the term of the project will apply to the program income received before closeout. For the most part, this means that program income must be used for eligible CDBG activities, and that a minimum of 51% of the funds must be used for activities that are clearly designated to meet identified needs of persons of low and moderate income.

b. After Project Closeout -- For the years of 1992 and prior:

- The MDOC encourages the use of program income for CDBG eligible activities that assist a minimum of 51% low and moderate-income persons.
- Program income should be expended on activities as specified in the local government's program income plan and/or closeout agreement.

c. After Project Closeout -- For the years of 1993 and Later:

MDOC has developed the following proposed policy for expenditure of program income after closeout which will meet the federal national objective of benefiting low and moderate income persons (LMI) and allow local governments some flexibility with their program income:

- For CDBG economic development activities: a maximum of 18% would be allocated to an administration fund and a minimum of 82% allocated to an activity fund for each state fiscal year.
- Program income should be spent on CDBG eligible activities that principally benefit 51% low and moderate-income persons, the original intent of the program, but allows some flexibility to carry out eligible CDBG activities in those communities that are not 51% LMI community-wide.

All program income received by a grantee after closeout must continue to be used in accordance with the provisions of Title I and all other federal requirements (Davis Bacon wage rates, environmental review, etc.). As such, all regulations and requirements that applied during the term of the project will apply to the program income received after closeout.

If a community has a CDBG-ED grant that is not closed out, and that community receives a new CDBG-ED grant, the community may be required to expend un-obligated program income from the earlier CDBG-ED project on activities under the new CDBG-ED project before the community can request funds from its new grant. This would not apply if the funds have been set-aside in a separate revolving loan fund account and have been allocated for specific projects. **However, local**

revolving loan funds must be substantially disbursed before additional funds are requested from the MDOC.

In addition, for projects funded in 1993 or later, the MDOC has determined that:

- To maintain a minimum level of funding for future borrowing needs, repayments of principal must be placed in the RLF for relending. Repayments of interest, and interest earnings on loan repayments deposited into an interest-earning account, may be used either for relending or for administrative activities.

Exhibit 8-D is a sample set of guidelines for an economic development revolving loan fund that MDOC adapted from an actual CDBG-ED-funded project for a small town. The local government may follow this sample and design its guidelines with its own needs in mind. Please contact your CDBG-ED liaison for more examples of RLF Plans from across the state.

⇒ **According to federal regulations, program income never loses its federal identity. When loans are repaid, all HUD Title I requirements as well as all other federal requirements including environmental review and Davis-Bacon wage rates must be met in any subsequent reuse of these funds. The only exception is when loan repayments are made to a qualified nonprofit community development organization. (See *Exhibit 8-N* for loan repayment flow chart.)**

When program income is managed by a non-profit, it is no longer considered program income as it is with a local government. Prior to project closeout, the local government is the recipient of the CDBG-ED funds and Title I and all other federal requirements apply to all activities. After project closeout, if program income is managed by a non-profit, Title I and the other federal requirements do not apply to the non-profit's activities. Annual loan portfolio reports must be submitted to the Department by all revolving loan fund managers, see Exhibit 8-I.

Local governments are strongly encouraged to subcontract with the Certified Regional Development Corporation (CRDC) in their area for regional revolving loan fund activities. For a list of CRDC's see the following website:

<http://businessresources.mt.gov/CRDC/default.mcpx>

3. State Guidance for CDBG-ED Revolving Loan Funds Administered by a Local Development Organization (LDO)

Title I of the Community Development Act (the Act) allows loan repayments made to a qualified nonprofit LDO to be free of CDBG-ED program income requirements. That is, loan repayments made to a nonprofit LDO are not defined as program income and therefore are not subject to federal CDBG-ED requirements. A qualified nonprofit LDO is defined under Section 105(a) of the Act. This change was made to the Act in 1992 and was incorporated into the regulations as of February 6, 1995. Therefore, this will apply to program income generated from CDBG-ED projects funded with 1995 and later.

In this scenario, the unit of local government gives the CDBG-ED funds to a regional loan fund administering entity, the nonprofit LDO. There must be a sub-recipient agreement between the LDO and the unit of local government (see **Exhibit 8-L1, Sample Sub-recipient Agreement**). The LDO lends the funds to businesses in its service area or to cities or counties specified in the sub-recipient agreement. Businesses repay loans back to the administering entity's loan fund. According to 24 CFR Part 570.489(e)(2)(ii), this income would not be defined as program income. The loan repayments are considered miscellaneous revenue and would not be subject to CDBG-ED program income requirements. However, the MDOC encourages the following:

For CDBG economic development payments made to a qualified non-profit:

Payments made to a community development organization that uses the funds for continued economic development activities do not have to meet any Federal requirements. However, the local government can still establish requirements for re-use of the funds, and require some CDBG requirements to be followed through grant agreements between the local government and the community development organization. A revolving loan fund plan must be executed that is agreeable to the local government. The local government must also execute a sub-recipient agreement with the community development organization for management of the revolving loan fund.

⇒The Department encourages community development organizations to continue to use loan proceeds for CDBG-ED eligible activities that benefit 51% low and moderate-income persons, and to follow activities specified in the revolving loan fund plan.

F. Show Benefit to Low and Moderate Income (LMI) Persons

It is the responsibility of the local government to document the proposed benefit to low and moderate-income (LMI) persons at the time of application. In addition, the local government must monitor this for the duration of the MDOC contract and document the actual benefit at the time of project closeout.

All CDBG-ED projects are required to meet the Congressional National Objective of benefiting LMI families. LMI families are defined as those families whose income does not exceed 80% of the county median income for the previous year, or 80% of the median income of the entire non-metropolitan area of the State of Montana, whichever is higher. Contact your CDBG-ED liaison to get the most current HUD income tables.

For economic development activities to meet this National Objective the local government must demonstrate a benefit to LMI in one or more areas listed below. The activity must:

- Be carried out in a neighborhood or community where 51% or greater number of LMI persons reside (contact your CDBG-ED program liaison for activity eligibility);
- Employ people, a majority of who qualify as LMI persons;
- Make training available to LMI persons to help them qualify for higher skilled employment; or
- Engage in advertising and recruitment efforts targeted to LMI persons.

To document the benefit to LMI persons, determine which of the four activities listed above applies to the project. The local government must determine the best method by which to substantiate this determination and provide appropriate documentation. Possible methods include:

- Identifying the specific neighborhood or community boundary and conducting an income survey of the project's intended beneficiaries;
- Obtaining income certifications from individuals hired;
- Documenting the type of training to be provided; and

- Documenting efforts to advertise and recruit LMI.

Area-wide Benefit (City or County-wide Benefit)

An area-wide project must be in an area that is predominately residential. Fifty-one percent (51%) of all persons living within the city or county boundaries must be LMI. This percentage should be documented by current program year, HUD income tables provided by the CDBG-ED liaison. A fairly current income survey for the area may also be used if the documented methodology complies with MDOC survey requirements. (Contact your CDBG-ED program liaison for more information on area-wide benefit.) Most economic development projects are “direct benefit”, where LMI documentation is used only for those persons directly benefitting from CDBG-ED funding, such as jobs created or retained.

Limited Clientele

Benefits must be provided exclusively to a **clearly** defined, specific clientele. If a population is targeted to be the beneficiary of a project, the project scope must demonstrate that the benefits to be provided to that population are **not** available to all residents and that the targeted population meets one of the criteria below:

a. Benefit is specifically targeted to a group presumed to be 51% or more LMI, unless there is evidence to the contrary. The limited clientele definition can be applied only to those groups included under HUD regulations, which includes:

- | | |
|---------------------|--|
| • Abused Children | • Migrant Farm Workers |
| • Homeless Persons | • Adults meeting the Bureau of |
| • Battered Spouses | Census' definition of severely |
| • Illiterate Adults | disabled adults |
| • Elderly Persons | • Persons living with the disease AIDS |

b. Information on family size and income shows that at least 51% of the clientele is LMI (e.g., programs being operated where LMI income certification is routinely requested to allow participation in the program);

c. Benefits are limited to LMI (e.g., a nursing home whose occupancy is limited to LMI);

d. The nature of activity and location supports conclusion that clientele is 51% or more LMI (e.g., a day care operated in an inner city neighborhood, a micro-enterprise as defined by HUD, or an organization that supports micro-enterprise development);

e. Removal of architectural barriers that limit the mobility of elderly and handicapped.

The local government's project must be designed specifically to benefit LMI persons such as those groups previously identified.

Micro-enterprises

Projects that meet HUD's definition of a micro-enterprise are automatically assumed to provide a 51% benefit to LMI persons. Micro-enterprises do not have to meet the cost per LMI job requirement. A micro-enterprise, as defined by HUD, is a commercial enterprise that has five or fewer employees, one or more of whom owns the enterprise. A micro-enterprise under HUD's definition automatically meets the 51% low-moderate income national objective if the income status

of the assisted micro-enterprise owner is LMI. That person is presumed to continue to qualify as LMI up to a three-year period after the CDBG-ED assistance is provided. This allows business owners to continue receiving CDBG-ED assistance even when they no longer qualify as an LMI household.

G. Documenting LMI Jobs Created or Retained

Local governments must ensure that methods are used to ensure preferential recruitment, hiring, and training of local workers, particularly those of low and moderate-income. When a grant is awarded, the applicant's commitment to the hiring plan is considered binding and will be incorporated in the grant agreement between the local government and MDOC.

1. All jobs must be converted into full-time equivalent positions. A full-time equivalent employee is an individual who is employed for 40 hours a week on the average or a combination of individuals whose combined hours of employment equal 40 hours per week.

Using the income certification forms, **Exhibit 8-E**, verify the number of positions currently held by LMI persons for an existing business, and project those full-time equivalent (FTE) LMI jobs to be created based on the company's hiring plan. Aside from using the HUD income tables, a person may be presumed to be LMI under certain conditions (see F. above).

Permanent, year-round jobs are the priority of the program. Only permanent jobs may be counted. Temporary construction jobs and other temporary and some seasonal jobs may not be counted. Projects involving primarily seasonal jobs are not generally acceptable under federal CDBG-ED requirements. In order to be counted, a seasonal job must be the primary occupation and the principal source of income to the LMI person for the year. This situation is very difficult to document and is not encouraged for CDBG-ED projects.

The base level of employment with a list of all current employees and job titles must be provided with the application for CDBG-ED funding to determine the actual number of new hires. For existing firms, applicants must provide employment levels for the past year. The date for determining the base level of employees will be the application submission date. Only jobs that the assisted business creates directly within a 24-month period following grant award will usually be counted toward this requirement. The Department cannot consider jobs created indirectly by an assisted activity (i.e., "trickle-down" jobs).

2. Fifty-one percent (51%) of all jobs created by the business during the term of the project must be filled by or made available to LMI persons. This applies even if more jobs are created than were originally projected.

For projects involving the retention of jobs, the income levels should be documented for the prior year's income of the family. The verification forms should be completed no more than 30 days before submittal of the application. The application must provide clear and objective evidence that, in the absence of the CDBG-ED assistance, the jobs will be lost. The business will have to commit to filling as many new job openings from turnover and job creation as is reasonably possible with LMI persons. The full application must include a complete listing of all existing jobs by title, race, ethnicity, gender and handicapped status. The application must indicate which positions are currently held by LMI persons. The business should provide an estimate of its expected job turnover rate during the next two years, especially if job turnover will be counted toward the LMI benefit percentage.

Businesses claiming retention of jobs must submit with the full application documentation of existing employees eligible to be considered LMI by using the income verification form (Exhibit 8-E) and job tracking form (Exhibit 8-F).

3. Tracking jobs for customized training grants. Businesses must track training expenses for each position assisted with CDBG-ED funds.

Exhibit 8-P is a form that can be used to track individual training expenses for each trained employee. Businesses must document matching training funds 1:1 for each CDBG-ED dollar expended. For example, if a company sends an employee to a local college to take a course for related training, CDBG-ED would pay for half of the training costs. The business would pick up the other half. A completed Exhibit 8-P or its equivalent would have to be submitted with each request for CDBG-ED funding. Businesses can request reimbursement for training expenses at the end of each employee's training or probationary period. At the end of the training period, employees must be paid a compensation package in salary and benefits that meets at least the lower of either the county's average hourly wage, or the State's average hourly wage. Average wage rates are determined by the Montana Department of Labor. Contact CDBG-ED staff for the most currently used wage table.

4. Local governments must ensure that they maintain complete hiring records. Local governments must also ensure that the assisting agency and the assisted business maintain complete records. Federal regulations and reporting requirements require that racial, ethnic and gender characteristics information be maintained for all job applicants as well as new hires (Exhibit 8-E).

Making Jobs Available to LMI

The best situation, and one that MDOC highly recommends, would involve requiring that the positions considered available to LMI persons actually be filled by LMI persons. This approach is more easily documented and defensible. When this is not possible, the business must be able to document that it gave first consideration to LMI persons during the hiring process. First consideration means that a business gives objective consideration to the employment of LMI persons. "Objective consideration" must involve the business at least interviewing a sufficient number of LMI persons so as to provide the maximum opportunity for filling the position with LMI persons.

The U.S. Department of Housing and Urban Development (HUD) developed the "first consideration" approach with the expectation that, in most instances where it is applied, the outcome will be that more than 51% of the persons hired will be LMI. The business will be required to consider a sufficient number of LMI job applicants to meet the intent of this requirement. The local government must ensure that there is adequate documentation available to show what jobs were created, what process was used for "first consideration," which LMI persons were considered for such jobs, and which of those persons were hired. Consult the Business Resources Division CDBG-ED staff if uncertain whether a job to be created would be considered "made available to" low and moderate-income persons. HUD has accepted retained jobs actually held by LMI persons, considering their family income and size, as jobs made available to LMI persons.

H. Submit Requests for Drawdown of CDBG-ED Funds

After all start-up activities have been completed and all MDOC contract conditions have been released in writing, the local government can make a request for funds from MDOC. Chapter 4, Financial Management, explains the procedures that are applicable to the drawdown of funds for all CDBG-ED projects. In addition to the procedures and requirements contained in Chapter 4, the local government must submit additional information for economic development projects.

When a business requests CDBG-ED funds, the local government must obtain documentation from the business for expenses incurred and an explanation for the request. The local government must

determine the propriety of the proposed use of funds before submitting a drawdown request to the CDBG-ED liaison. The disbursement of CDBG-ED funds to the local government and the business must be tied to the actual need for the funds. The local government must ensure that the CDBG-ED funds will be used for the activities and purposes described in the MDOC contract and in the assistance agreement. The local government should be sure that the budget line items are equal to or greater than the amounts requested. For example:

- If the business is requesting funds for working capital, the business must submit copies of eligible bills, vouchers, payment requests, orders, payrolls, etc., which substantiate the amount requested. Projected working capital needs may be used provided the local government or its project administrator later reconciles the projected needs with actual working capital expenditures. Back up documentation must be maintained for all projected and actual expenditures.
- If the request for CDBG-ED funds is used for machinery or equipment, the business must submit documentation describing the machinery or equipment being purchased and the bill or order form showing the amount incurred.

Exhibit 8-0 is a request for payment form that is to be filled out and submitted, along with documentation of the requested funding, for eligible expenses to be reimbursed with CDBG-ED funds.

NOTE: Be sure that the documents supporting the costs incurred are dated after the MDOC authorization to incur costs for project activities. Copies of the supporting documentation must be submitted with the drawdown request to the CDBG-ED liaison.

I. Submit Applicable Reports

The CDBG-ED grant contract and the assistance agreement will contain minimum reporting requirements that apply to the local government and the business. The local government must obtain the necessary information from the business.

1. The local government, or its project administrator, must submit the following reports to the MDOC quarterly during the project until it is closed out:

- General progress reports must be submitted to the MDOC within 30 days of the end of the quarter. If a drawdown request for funds is during a given calendar quarter and a progress report accompanies the drawdown request (see Chapter 4, Financial Management), a separate general progress report is not required.

- Hiring and training plan progress reports (Exhibit 8-F) should be submitted to the CDBG-ED liaison quarterly and more often if requested. For each person hired or retained during the term of the project, the business must provide the name, date of hire, job title, information indicating whether the job is full-time or part time number of hours, permanent or seasonal work, rate of pay, ethnicity and racial category, income status, and any applicable information required for direct benefit activities, see Chapter 5, Civil Rights. Part-time jobs must be converted to full time equivalents. The income survey and racial category forms for jobs assisted are found in **Exhibit 8-E**.

- Evidence that the funds committed as match by the business in the original application for the CDBG-ED funds are being expended on the project (bank statements, canceled checks, deed transfers, loans forgiven by investor, new investments, etc.). Matching funds should be spent on a pro rata basis with the CDBG-ED funds.

2. The local government, or its project administrator, must submit the following reports to the MDOC during the implementation of the project until it is closed out:

- Financial status reports that include at least the balance sheet and a profit and loss statement of the business for the period, at least twice per year;
- Business plan reports that discuss the business's progress toward achieving the goals and objectives contained in the original application submitted by the local government, at least once per year;
- Hiring and training plan progress reports, quarterly – if not submitted with requests for funds;
- Annual financial reports of the business, with disclosure notes, reviewed by a certified public accountant.

3. The local government, or its project administrator, must submit the following report annually to MDOC before and after project closeout:

- Loan Portfolio Data (LPD) sheet (Exhibit 8-I) that tracks the business's loan activities, as of December 31 each year. For previous year(s) awards, local governments must begin submitting the LPD when loan repayments start, and continue to submit the LPD to the MDOC after closeout on an annual basis. Loan activity for the entire revolving loan fund must be included in the annual report for primary and secondary loan activities.

Depending on the type of project and the number and complexity of any problems that may arise during the term of the project, the CDBG-ED liaison may require the local government to submit reports more frequently or provide additional reports. It is very important that the local government reviews the information submitted and retains all copies of reports in the project files, especially the hiring and training plan reports and the financial statements. Based on the information contained in the reports, the local government and the CDBG-ED liaison can determine how often and how closely the business should be monitored. The local government should monitor the assisted business and local development organization involved periodically during the project as the local government has the ultimate responsibility for proper management of CDBG-ED funds.

The assistance agreement and the CDBG-ED grant contract contain a penalty clause that applies to the hiring goal. If the hiring goals and timetable committed to by the business in the final hiring and training plan are not met during the term of the project, the MDOC may recover CDBG-ED funds in proportion to the shortfall in hiring. If at least 51% of the total jobs created or retained are not held by, filled by, or made available to LMI persons, the local government may be required to repay the total grant amount back to the MDOC. The local government needs to take steps to monitor the progress of the assisted business' hiring and training goals, and ensure that reporting requirements are met.

J. Review Quarterly Financial Statements

The local government should have someone who is trained and experienced in analyzing financial statements review the periodic financial reports. It is essential that any financial problems the business may experience during the term of the CDBG-ED project (and where CDBG-ED funds have been loaned, during the term of the loan) be identified as early as possible. If problems are detected, the local government can begin to negotiate with the business and help resolve them, if possible. A business cannot hire employees or retain existing employees if it cannot afford to pay them. A business obviously cannot repay a loan if it does not have sufficient cash flow available to cover the debt service.

The CDBG-ED liaison will review the financial statements at least annually and more often if conditions warrant, or if the local government requests assistance with a problem.

It is important to keep in mind that a business will often show losses during a start-up phase or when expanding. That is, of course, a common reason the business sought CDBG-ED assistance to begin with. The primary purpose of the CDBG economic development category is to provide financial or other supportive assistance to for-profit and non-profit entities. One requirement of the CDBG-ED program is that any CDBG-ED assistance to a for-profit entity must be determined to be appropriate, and that the business assisted has not been unduly enriched by CDBG investment. A for-profit business must be able to show that the CDBG-ED funds are needed as a last resort and that the funds requested are not available from other private and public sources. The key problem, therefore, is that the for-profit entity that receives CDBG-ED assistance is often only marginally viable.

It is very difficult to determine how bad the financial condition of a business can get before serious problems arise. It is essential that the local government communicate frequently and openly with the business and to assure management that the local government is willing to help work out problems.

Listed below are indicators that can help the local government determine when financial troubles may be occurring or are likely to occur in a for-profit entity (or other business):

- Actual sales (or other revenues) do not meet projections;
- The hiring goals and schedule are not being met;
- Profits are continually low or negative;
- The business plan is not being followed by the business or goals are not being met;
- Operating cycle trends show significant changes from what were projected;
- Net equity and retained earnings decline;
- Liquidity ratios (assets in proportion to liabilities) indicate that the firm may be becoming insolvent (assets are becoming lower in proportion to liabilities and working capital declines);
- The matching funds are not being used reasonably in proportion to the CDBG-ED funds;
- Significant changes in management or in ownership occur;
- Changes in banks generally used by the entity;
- Management that may have been friendly and open becomes difficult to reach and unfriendly;
- Management that may have been unfriendly and aloof suddenly becomes friendlier;
- Payments on the loan are often late or missed;
- Large turnover in employees or labor relations problems occur;
- Changes occur in accounting methods or in accountants;
- Aging of accounts receivable and accounts payable indicate a trend toward later receipts of revenues and payments of bills by the entity;

- Large loans made from the entity to officers;
- Large loans made from officers to the entity;
- Large items purchased with CDBG-ED funds or with other funds are not available for inspection.

Financial analysis is an art, not a science, which requires that the local government pay close attention to trends and discuss them with the business as early as possible. The local government often has a lower security position than other lenders or providers of funds that increases its oversight responsibility. The CDBG-ED liaison should be contacted whenever the local government believes that a financial problem may be evident. The local government should also work closely with persons or entities that are providing financing for the project such as banks, investors, venture capital companies, public agencies, etc.

K. Monitor the Business

It is the responsibility of the local government to monitor the business periodically during the term of the project. The local government must ensure that the business is complying with all applicable CDBG-ED requirements and with the terms and conditions contained in the assistance agreement. Following are some examples of key areas of concern that the local government should focus on during the monitoring visits:

- Construction progress, if applicable, should be compared with the contract implementation schedule and reports submitted by the business;
- If large pieces of machinery or equipment were purchased with CDBG-ED funds, the local government should view them and inspect their condition;
- The general condition of the facility, including inventory, should be considered, especially if renovation was included as an activity;
- Compare the number of employees present with the hiring and training plan progress report to see if any significant differences should be followed up;
- Verify income of employees;
- If the project involves labor standards, conduct interviews of the contracted employees and follow the monitoring procedures for labor standards contained in Chapter 6, Labor Standards.

CHAPTER 8

EXHIBITS

- 8-A Sample MDOC Contract**
- 8-B Supplemental CDBG-ED Conditions for Loan Documents**
- 8-C1 Sample Funding Assistance Agreement for**
- 8-C2 Sample Funding Assistance Agreement for Infrastructure of Non-Profit Grants**
- 8-D Sample Local Government Revolving Loan Fund Plan and Loan Application**
- 8-E Calculation of Benefit to Low and Moderate Income Persons and Race/Ethnicity Category Form**
- 8-F Employment Tracking & Direct Benefit Summary**
- 8-G1 Sample Hiring and Training Plan**
- 8-G2 Sample Customized Training Plan**
- 8-H Environmental Review Procedures/Forms**
- 8-I Loan Portfolio Data (LPD) Report Form**
- 8-J Procurement Policy**
- 8-K Eligible Activities**
- 8-L1 Sample Sub-recipient Agreement for RLF project**
- 8-L2 Sample Sub-recipient Agreement for non-RLF project**
- 8-M1 Sample Management Plan for Local Government Management**
- 8-M2 Sample Management Plan for Third Party Non-Profit Management of Loan**
- 8-M3 Sample Management Plan for Third Party Non-Profit Management of Grant**
- 8-N Program Income Flowchart – CDBG-ED ED Program**
- 8-O Request for Payment & Status of Funds Report**
- 8-P Employee Training Tracking Form**

EXHIBIT 8-A1

(This is an example of a contract between the Montana Department of Commerce and the Local Government (City/Town) – to be completed by the Montana Department of Commerce)

**MONTANA COMMUNITY DEVELOPMENT BLOCK GRANT
ECONOMIC DEVELOPMENT PROGRAM**

MONTANA DEPARTMENT OF COMMERCE Contract # **MT-CDBG-ED12-XX**

A. PARTIES: The parties to this contract (the Contract) are the State of Montana, Department of Commerce (MDOC) (the Department), 301 South Park, Helena, Montana, 59620-0501, and the CONTRACTOR, (City/Town/County), (Address), IRS # (81-XXX).

B. PURPOSE: The purpose of the Contract is to provide funding for project activities as approved by the Department under the Montana Community Development Block Grant - Economic Development (CDBG-ED) Program for FY **2011**.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein, the parties hereto agree as follows:

1. AUTHORITY: The Contract is issued under authority of Title 18, Montana Code Annotated, and the Administrative Rules of Montana, Title 2, chapter 5.

2. SCOPE AND DUTIES:

a) The Contractor will engage in activities as set forth in the Contractor's application, including any written modifications resulting from the review of the applications by the Department for CDBG-ED grant assistance that by this reference are made a part hereof.

b) Grant funds of up to \$() are budgeted for administrative activities.

c) The Contractor, through (local development organization), will loan up to \$() of CDBG-ED economic development funds to (name of business) (the Borrower), a (type of business) located at (address), for (purpose of loan). The Borrower has projected number () full time equivalent (FTE) jobs will be created, of which number () of the newly created FTEs will be made available to or filled by low and moderate-income persons.

d) The loan is subject to the following terms and conditions, in addition to those specified in the application:

Any changes to these terms and conditions must be authorized by the MDOC loan review committee.

3. **PERIOD OF CONTRACT:** This Contract takes effect upon execution by the parties and will terminate upon completion of the final project closeout by the Department. The activities to be performed by the Grantee will be completed according to the implementation schedule included as Attachment A to this Contract, which by this reference is made a part of this Contract.

4. **LIAISON:** The contact person for the Department is (Commerce Employee Name and Title), Helena, Montana, or successor, and (Name of Local Official and Title), (Town or City), Montana, or successor, for the Contractor.

5. **BUDGET**

a) The total amount to be awarded to the Contractor under this Contract will not exceed \$_____.

b) A copy of the project budget is included as Attachment B to this Contract, and by this reference is made binding upon the Contractor. The Contractor may modify this budget only after having requested and received prior approval of the adjustment from the Department.

c) For budget adjustments of \$5,000 or less between line items of the CDBG-ED portion of Attachment B, Department approval of the Request for Payment form will constitute approval of the budget adjustment. The rationale for budget adjustment must be described in the Project Progress Report and the proposed adjustments noted in the Request for Payment and Status of Funds Report submitted with draws against the grant funding reserve. Budget adjustments in excess of \$5,000 require formal Department approval.

d) If an acceptable program income plan is submitted to the Department before funds are released for the project, the Contractor may be permitted to retain program income generated by the activities described under Section 2, SCOPE AND DUTIES. Program income received before the project is closed out by the Department must be expended on project activities before additional CDBG-ED funds are requested by the Contractor, unless such funds are committed to a Revolving Loan Fund (RLF) to continue the same activities. The receipt and expenditure of program income shall be treated as additional CDBG-ED funds subject to all applicable requirements governing the use of CDBG-ED funds, unless the amount of program income received in one year is less than \$25,000. The receipt and expenditure of program income shall be recorded as part of the financial transactions of the grant program. At the time of closeout, the Department will specify the conditions and requirements that will apply to program income received by the Contractor after project closeout.

6. COMPENSATION & CONSIDERATION:

- a) The Department will authorize the Contractor to draw up to \$_____ against the funding reserved for it by the Department. In drawing against the reserved amount the Contractor will follow the instructions supplied by the Department.
- b) The Department will reimburse all eligible expenses incurred in furtherance of this Contract as provided in this Contract and upon approval by the Department of the Contractor's Request for Payment. The Department will reimburse the Contractor for approved, eligible and necessary expenses according to the documentation submitted by the Contractor to support the expenditures. The Department will not reimburse the Contractor for any costs incurred prior to the date of tentative grant award that was (Date of Award), nor for any expenses not included in the approved budget or not clearly and accurately supported by the Contractor's records. Any authorized funds not expended under this grant will revert to the Department and will be used to finance other CDBG-ED projects.
- c) The Department agrees to reimburse the Contractor for successfully completing the activities set forth in Section 2 SCOPE AND DUTIES, as the Contractor incurs project costs.
- d) The Contractor will review and determine the propriety of and need for each request for funds by the Borrower in relation to the proposed uses specified in its final CDBG-ED loan agreement and in the Contractor's CDBG-ED application to the Department.
- e) A copy of the loan agreement between the Contractor and the Borrower must be submitted to the Department for review before it is executed. The Contractor shall not execute the loan agreement until the Contractor receives written approval from the Department.
- f) The reimbursement of eligible costs incurred is contingent upon the Contractor's completion of Section 11 SPECIAL CONDITIONS. In the event the Contractor is unable to comply with the terms and conditions of this Contract, any costs incurred will be the Contractor's sole responsibility.
- g) If the actual cost of completing the project is less than has been projected by the Contractor in the preliminary budget (Attachment B), the Department may, at its discretion, reduce the amount to be provided under this Contract in proportion to the overall savings. For construction projects, if actual construction bids are less than the estimates included in the preliminary budget, the construction budget in the CDBG-ED Contract will be established at the bid price plus a ten percent (10%) contingency. The difference between actual project costs and the original grant award will be reallocated by the Department for unfunded or inadequately funded projects, or added to the following year's CDBG-ED allocation.
- h) **If the Department determines that the Contractor has failed to satisfactorily carry**

out its responsibilities under this Contract, the Department may revoke the Contractor's authority to draw against the reservation described herein until such time as the Department and the Contractor agree on a plan to remedy the deficiency.

i) The Montana Department of Commerce reserves the right to withdraw a commitment for any CDBG-ED funds which have not been disbursed twenty-four (24) months after the date of the announcement of the tentative grant award.

j) If needed, travel expenses, meals and lodging will be reimbursed at the Montana State Rate.

k) **The Department will withhold ten percent (10%) of the total authorized grant amount for administration, until all tasks outlined in Section 2. SCOPE AND DUTIES are completed and approved.** Within sixty (60) days after the completion of the project, the Contractor will prepare and submit to the Department a Project Completion Report in the form prescribed by the Department. The Department will disburse the retained amount upon receipt and approval of the Contractor's Project Completion Report. Prior to the receipt of the Project Completion Report, the Department liaison may authorize release of part or all of the retained amount when situations occur that would result in an undue financial hardship on the Contractor, providing the Contractor has demonstrated effective overall management of the current project and, when applicable, satisfactorily managed any earlier CDBG-ED projects, and submitted required reports in a timely manner.

l) Unless otherwise stated herein, the Department is allowed 30 days to process requests for payments. The Contractor may be required to provide banking information at the time of Contract execution in order to facilitate electronic funds transfer payments. The Department may withhold payments to the Contractor if the Contractor has breached the terms of the Contract.

7. PERFORMANCE REPORTING

The Contractor will submit status reports on project performance at the request of, and in the format prescribed by the Department. These reports include, but are not limited to:

a) Project Progress Reports describing the status of the project with respect to each implementation objective, including at a minimum, the percentage complete, costs incurred, funds remaining, progress towards achievement of hiring and training goals specified in the final plan to be prepared, as specified in Section 11 SPECIAL CONDITIONS, and projected completion date. The report must also describe any significant problems encountered and any necessary scope or implementation schedule modification requested. The Contractor must submit project progress reports to the MDOC with each Request for Payment, or at least quarterly. If a Request for Payment is not submitted during a given calendar quarter, the project progress report must be submitted to the MDOC within one month after the end of the calendar quarter.

b) Loan Portfolio Data (LPD) Report. The LPD must be submitted once a year for the periods ending December 31.

The Contractor will monitor the Borrower's operations to ensure compliance with CDBG-ED requirements during the term of the project. The Contractor will require the Borrower to submit the following:

- i) Quarterly financial status reports;
- ii) Hiring and training reports must be submitted four (4) times per year for the periods ending March 31, June 30, September 30 and December 31;
- iii) Project Progress Reports describing the status of the project with respect to each implementation objective including at a minimum, the percentage complete, costs incurred, funds remaining and projected completion date. The report must also describe any significant problems encountered and any necessary scope of implementation modifications requested. At a minimum, this report must be submitted to the Department by the Contractor within 30 days of each calendar quarter ending March, June, September, and December;
- iv) Evidence documenting the propriety of the proposed use of CDBG-ED funds with each drawdown request and the Contractor's review of the proposed use;
- v) Annual business plan report indicating the Borrower's progress toward implementing the business plan proposed in the CDBG-ED application or noting any proposed revisions of the plan; and
- vi) Annual financial reports reviewed by a certified public accountant with full disclosure notes.

Unless otherwise specified, the Contractor will submit the above listed information to the Department until the goals contained in the hiring and training plan have been achieved, and the Contractor receives project closeout approval from the Department.

8. ASSURANCES:

a) The Contractor will comply with the Certifications of Application as signed and submitted with the Contractor's CDBG-ED application. The Contractor will comply with all applicable parts of Title I of the Housing and Community Development Act of 1974, as amended; the applicable Department of Housing and Urban Development (HUD) regulations in 24 CFR Part 570, as now in effect or as they may be amended during the term of this Contract, all requirements established by the Department; applicable state and federal laws, regulations, administrative

directives and procedures, and local ordinances and resolutions.

b) The Contractor agrees that all contracts entered into by it for the completion of activities described in Section 2 SCOPE AND DUTIES, will contain special provisions requiring contractors to comply with all applicable state and federal requirements.

c) The Contractor will comply with the Acceptance of CDBG Program Requirements, Certifications for Application as signed and submitted with the Contractor's CDBG-ED application. The Contractor will also comply with all other applicable federal and state statutory and regulatory requirements, administrative directives issued by the Department, and local ordinances and resolutions. All contracts entered into by the Contractor for the completion of activities described in Section 2. hereof must contain special provisions requiring contractors to comply with all applicable requirements.

d) **The Contractor expressly agrees to repay to the Department any funds advanced to the Contractor under this Contract which the Contractor, its subcontractors or Sub-recipient entities, or any public or private agent or agency to which it delegates authority to carry out portions of this Contract expends in violation of the terms of this Contract or the federal statutes and regulations governing the CDBG-ED program.**

9. AVOIDANCE OF CONFLICT OF INTEREST: The Contractor will comply with the provisions of 24 CFR 570.611 and with sections 2-2-105, 2-2-201, 7-3-4367, 7-5-2106, and 7-5-4109, MCA (as applicable) regarding the avoidance of conflict of interest.

10. ARTICLES INCORPORATED BY REFERENCE: The Contractor's full application for CDBG-ED grant assistance, the applicable HUD regulations at 24 CFR Part 570, and Title I of the Housing and Community Development Act of 1974, as now in effect or as they may be amended during the term of this Contract are incorporated in this Contract by this reference and are binding upon the Contractor.

11. SPECIAL CONDITIONS

The Contractor will not obligate or utilize funds for any activities provided for by this contract until:

a) The Contractor completes an Environmental Review Record and the Department issues a Notice of Release of Funds, however, upon receiving written authorization from the Department, the Contractor may incur administrative costs necessary for the preparation of the Environmental Review and for planning activities defined as exempt under 24 CFR part 58.34.

b) The Contractor submits to the Department evidence of the firm commitment of the other resources necessary for the completion of the project as defined in Section 2 and Attachment B

hereof.

- c) The Contractor submits to the Department an acceptable management plan and revolving loan fund plan, approved by the Department;
- d) The Contractor submits to the Department an acceptable loan agreement that includes the final hiring and training plan, approved by the Department, which must include the following:
 - i) A discussion of actions to be taken to ensure that the FTEs created will be made available to persons of low and moderate income;
 - ii) A breakdown of jobs to be created indicating job titles and hourly or monthly rates of compensation;
 - iii) A timetable for creating the jobs;
 - iv) An assurance that equal opportunity and nondiscrimination laws will be complied with;
 - v) Procedures for outreach, recruitment, screening, selection, training and placement of workers which will ensure maximum access for local residents, particularly persons of low and moderate income;
 - vi) A description of the Borrower's training curriculum and resources, if applicable;
 - vii) Written commitments from agencies participating in the implementation of the plan; and
 - viii) The Borrower's written commitment to comply with the plan.

The loan agreement conditions must be consistent with the application and any modifications imposed by the Department's Loan Review Committee.

- e) The Contractor submits an acceptable inter-local agreement (or sub-recipient agreement, depending upon project) between (Local Government) and (Other Entity), approved by the Department, concerning project administration, management and coordination, and costs associated with the scope of work outlined in Section 2 SCOPE AND DUTIES, including responsibilities after project completion that includes an acceptable revolving loan fund plan, approved by the Department.
- f) The Contractor completes the civil rights activities described in Chapter 5, "Civil Rights" of the CDBG-ED Administrative Manual. The Department may approve in writing a deferral of

certain elements of this requirement until the Contractor submits its conditional closeout report.

g) All project funding must be fully committed and available and the project must be ready to proceed within six (6) months of award. The Montana Department of Commerce reserves the right to withdraw a commitment of any CDBG-ED funds for projects not ready to proceed within six (6) months after the date of tentative grant award.

h) **If the Contractor fails to enforce the low and moderate-income verification and documentation requirements and to ensure that at least 51% of the full-time equivalent jobs created or retained as a direct result of this project are filled by or made available to low and moderate-income persons, the grant provided hereby will terminate and the Contractor will reimburse the Department all funds disbursed hereunder. If the projected number of jobs or percentage of low and moderate-income persons is not met during the contract period, the Contractor must be able to demonstrate a “good faith effort” on the part of the Contractor and the business assisted to achieve the projected goals, or the grant provided hereby will terminate and the Contractor will reimburse the Department all funds disbursed hereunder.**

12. OWNERSHIP AND PUBLICATIONS OF MATERIALS: All materials developed under the Contract are the property of the Department.

13. PROPERTY MANAGEMENT: Title to real property or equipment acquired under a grant or sub-grant will vest upon acquisition in the Contractor's or sub-grantee. The Contractor or sub-grantee will use, manage, and dispose of this property or equipment in accordance with the requirements set out in 24 CFR Part 85, Subpart C and 24 CFR Part 570, Subpart J.

14. ACCESS TO RECORDS AND PROJECT MONITORING:

a) The Contractor will maintain adequate and reasonable records of its performance under this Contract and will allow access to these records at any time during normal business hours by the Department, the U.S. Department of Housing and Urban Development, the Comptroller General and, when required by law, the Montana Legislative Auditor. These records will be kept in the Contractor's offices in (Name of town or city), Montana.

b) The Department or its agents may monitor and inspect all phases and aspects of the Contractor's performance to determine compliance with the SCOPE AND DUTIES, and other technical and administrative requirements, including the adequacy of the Contractor's records and accounts. The Department will advise the Contractor of any specific areas of concern and provide the Contractor opportunity to propose corrective actions acceptable to the Department.

15. EQUAL EMPLOYMENT OPPORTUNITY: Any hiring of employees by the Contractor under this Agreement will be on the basis of merit and qualification, and the Contractor will not

discriminate against any person on the basis of race, color, religion, creed, political ideas, sex, age, marital status, physical or mental disability, or national origin. As used herein, "qualification" means qualifications as are generally related to competent performance of the particular occupational task.

16. **COMPLIANCE WITH WORKERS' COMPENSATION ACT:** Contractors are required to comply with the provisions of the Montana Workers' Compensation Act while performing work for the State of Montana in accordance with sections 39-71-401, 39-71-406, and 39-71-417, MCA. Proof of compliance must be in the form of workers' compensation insurance, an independent contractor's exemption, or documentation of corporate officer status. Neither the contractor nor its employees are employees of the State. This insurance/exemption must be valid for the entire term of the contract. A renewal document must be sent to the Community Development Block Grant – Economic Development Program, Montana Department of Commerce, PO Box 200505, Helena, Montana, 59620-0505 upon expiration.

CONTRACTS WILL NOT BE ISSUED TO CONTRACTORS WHO FAIL TO PROVIDE THE REQUIRED DOCUMENTATION WITHIN THE ALLOTTED TIME FRAME.

Coverage may be provided through a private carrier or through the State Compensation Insurance Fund (406) 444-6500. An exemption can be requested through the Department of Labor and Industry, Employment Relations Division (406) 444-1446. Corporate officers must provide documentation of their exempt status.

17. **DEBARMENT:** The Contractor certifies that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in the Contract by any governmental department or agency. If the Contractor cannot certify this statement, attach a written explanation for review by the Department.

18. **FAILURE TO HONOR CONTRACT:** If the Contractor refuses or fails to deliver in accordance with the Contract terms and conditions, the State Procurement Bureau may, in its discretion, suspend the Contractor for a period of time from entering into any contracts with the State of Montana.

19. **ACCESS AND RETENTION OF RECORDS:** The Contractor agrees to provide the Department, Legislative Auditor, or their authorized agents, access to any records necessary to determine contract compliance (Mont. Code Ann. § 18-1-118). The Contractor agrees to create and retain records supporting the services rendered or supplies delivered for a period of three years after either the completion date of the Contract or the conclusion of any claim, litigation, or exception relating to the Contract taken by the State of Montana or third party.

20. CONTRACT TERMINATION

- a) Termination for Cause. The State may, by written notice to the Contractor, terminate this contract in whole or in part at any time the Contractor fails to perform this contract; OR
- b) Termination for Cause with Notice to Cure Requirement. The State may terminate this contract for failure of the Contractor to perform any of the services, duties, or conditions contained in this contract after giving the Contractor written notice of the stated failure. The written notice must demand performance of the stated failure within a specified period of time of not less than forty-five (45) days. If the demanded performance is not completed within the specified period, the termination is effective at the end of the specified period; OR
- c) Termination for Convenience. The State may, by written notice to the Contractor, terminate this contract without cause. The State must give notice of termination to the Contractor at least 15 (fifteen) days prior to the effective date of termination; AND
- d) Reduction of Funding. The State, at its sole discretion, may terminate or reduce the scope of this contract if available funding is reduced for any reason. (See Mont. Code Ann. § 18-4-313(4).)

21. **UNAVAILABILITY OF FUNDING:** The Department may, at its sole discretion, terminate or reduce the scope of the Contract if available funding is eliminated or reduced for any reason.

22. **U.S. FUNDS:** All prices and payments must be in U.S. dollars.

23. **DEFAULT:** Failure on the part of either party to perform the provisions of the Contract constitutes default. Default may result in the pursuit of remedies for breach of contract, including but not limited to damages and specific performance.

24. **CONFORMANCE WITH CONTRACT:** No alteration of the terms, conditions, delivery, price, quality, quantities, or specifications of the Contract shall be granted without prior written consent of the Department.

25. **VENUE:** The Contract is governed by the laws of Montana. The parties agree that any litigation concerning the Contract must be brought in the First Judicial District in and for the County of Lewis and Clark, State of Montana, and each party shall pay its own costs and attorney fees. (Mont. Code Ann. § 18-1-401.)

26. **COMPLIANCE WITH LAWS:** The Contractor must, in performance of work under the Contract, fully comply with all applicable federal, state, or local laws, rules and regulations, including the Montana Human Rights Act, the Civil Rights Act of 1964, the Age Discrimination Act of 1975, the Americans with Disabilities Act of 1990, and Section 504 of the Rehabilitation Act of 1973. Any subletting or subcontracting by the Contractor subjects subcontractors to the same provision. In accordance with Mont. Code Ann. § 49-3-207, the Contractor agrees that the hiring of persons to perform the Contract will be made on the basis of merit and qualifications

and there will be no discrimination based upon race, color, religion, creed, political ideas, sex, age, marital status, physical or mental disability, or national origin by the persons performing the Contract.

27. **DISABILITY ACCOMMODATIONS:** The Department does not discriminate on the basis of disability in admission to, access to, or operations of its programs, services, or activities. Individuals, who need aids, alternative document formats, or services for effective communications or other disability-related accommodations in the programs and services offered, are invited to make their needs and preferences known to this office. Interested parties should provide as much advance notice as possible.

28. **NO ARBITRATION:** Unless otherwise agreed to in writing or provided for by law, arbitration is not available to the parties as a method of resolving disputes that arise under the Contract.

29. **ASSIGNMENT, TRANSFER AND SUBCONTRACTING:** The Contractor shall not assign, transfer or subcontract any portion of the Contract without the express written consent of the Department. (Mont. Code Ann. § 18-4-141.)

30. **MODIFICATION:** The Contract may not be enlarged, modified, amended or altered except upon written agreement signed by all parties to the Contract.

31. **ALTERATION OF SOLICITATION DOCUMENT:** In the event of inconsistencies or contradictions between language contained in the Department's solicitation document and a Contractor's response, the language contained in the Department's original solicitation document will prevail. Intentional manipulation and/or alteration of solicitation document language will result in the Contractor's disqualification and possible debarment.

32. **SOLICITATION DOCUMENT EXAMINATION:** The Contractor shall promptly notify the Department of any ambiguity, inconsistency, or error, which they may discover upon examination of a solicitation document.

33. **FACSIMILE RESPONSES:** Facsimile responses will be accepted for limited solicitations ONLY if they are completely received by the Department prior to the time set for receipt. Bids, or portions thereof, received after the due time will not be considered.

34. **NOTICE:** All notices required under the provisions of the Contract must be in writing and delivered to the parties' liaisons either by regular mail or personal service.

35. **SEPARABILITY:** A declaration by any court, or any other binding legal source, that any provision of the Contract is illegal and void shall not affect the legality and enforceability of any other provision of the Contract, unless the provisions are mutually dependent.

36. **SHIPPING:** Supplies shall be shipped prepaid, F.O.B. Destination, unless the Contract specifies otherwise.

37. **TAX EXEMPTION:** The State of Montana is exempt from Federal Excise Taxes (#81-0302402).

38. **WARRANTIES:** The Contractor warrants that items offered will conform to the specifications requested, to be fit and sufficient for the purpose manufactured, of good material and workmanship and free from defect. Items offered must be new and unused and of the latest model or manufacture, unless otherwise specified by the Department.

39. **HOLD HARMLESS AND INDEMNIFICATION:** The Contractor agrees to protect, defend, and save the State, its elected and appointed officials, agents, and employees, while acting within the scope of their duties as such, harmless from and against all claims, demands, causes of action of any kind or character, including the cost of defense thereof, arising in favor of the Contractor's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed or omissions of services or in any way resulting from the acts or omissions of the Contractor and/or its agents, employees, representatives, assigns, subcontractors, except the sole negligence of the State, under the Contract.

40. **REGISTRATION WITH SECRETARY OF STATE:** Any business intending to transact business in Montana must register with the Secretary of State. Businesses that are incorporated in another state or country, but which are conducting activity in Montana, must determine whether they are transacting business in Montana in accordance with Mont. Code Ann. §§ 35-1-1026 and 35-8-1001. Such businesses may want to obtain the guidance of their attorney or accountant to determine whether their activity is considered transacting business.

If businesses determine that they are transacting business in Montana, they must register with the Secretary of State and obtain a certificate of authority to demonstrate that they are in good standing in Montana. To obtain registration materials, call the Office of the Secretary of State at (406) 444-3665, or visit their website at <http://www.sos.mt.gov>.

41. **TECHNOLOGY ACCESS FOR BLIND OR VISUALLY IMPAIRED:** Contractor acknowledges that no state funds may be expended for the purchase of information technology equipment and software for use by employees, program participants, or members of the public unless it provides blind or visually impaired individuals with access, including interactive use of the equipment and services, that is equivalent to that provided to individuals who are not blind or visually impaired. (Mont. Code Ann. § 18-5-603.) Contact the State Procurement Bureau at (406) 444-2575 for more information concerning non-visual access standards.

42. **REFERENCE TO CONTRACT:** The Contract number **MUST** appear on all invoices, packing lists, packages and correspondence pertaining to the Contract.

43. **INTEGRATION:** The Contract contains the entire agreement between the parties, and no

statements, promises, or inducements of any kind made by either party, or the agents of either party, not contained herein are valid or binding.

44. INSURANCE:

- (a) General Requirements. Grantee shall maintain and shall assure that its representatives, assigns, and subcontractors maintain for the duration of the Contract, at their own cost and expense, primary liability insurance against claims for injuries to persons or damages to property, including contractual liability, which may arise from or in connection with the performance of the duties and obligations in the Contract by Grantee, its agents, employees, representatives, assigns, or subcontractors. This insurance shall cover such claims as may be caused by any negligent act or omission. The State, its officers, officials, employees, and volunteers are to be covered as additional insured's for all claims arising out of the use of grant proceeds provided by the State of Montana.
- (b) Primary Insurance. Grantee's insurance coverage shall be primary insurance with respect to the State of Montana, its elected or appointed officers, officials, employees, or volunteers and shall not contribute with it.
- (c) General Liability Insurance. At its sole cost and expense, the Grantee shall purchase occurrence coverage with minimum combined single limits of \$1 million per occurrence and \$2 million aggregate per year, or as established by statutory Tort limits of \$750,000 per claim and \$1,500,000 per occurrence as provided by a self-insurance pool insuring counties, cities, or towns, as authorized under Section 2-9-211, MCA.
- (d) Professional Liability Insurance. Grantee shall assure that any representatives, assigns, and subcontractors performing professional services under this Contract purchase occurrence coverage with combined single limits for each wrongful act of \$1,000,000 per occurrence and \$2,000,000 aggregate per year. Note: if "occurrence" coverage is unavailable or cost prohibitive, the Contractor may provide "claims made" coverage provided the following conditions are met: (1) the commencement date of the contract must not fall outside the effective date of insurance coverage and it will be the retroactive date for insurance coverage in future years; and (2) the claims made policy must have a three (3) year tail for claims that are made (filed) after the cancellation or expiration date of the policy.
- (e) Property Insurance. At its sole cost and expense, the Grantee shall maintain property and hazard insurance, including course of construction coverage, and earthquake insurance in areas where there is a shaking level above 10g (see map at <http://rmtd.mt.gov/aboutus/publications/files/NEHRP.pdf>) for loss or damage for any

building and all related improvements and contents therein on the premises on a replacement cost basis throughout the term of the contract.

- (f) General Provisions. All insurance coverage shall be placed with a carrier licensed to do business in the State of Montana or by a domiciliary state and with a Best's rating of at least A-, or by a public entity self-insured program either individually or on a pool basis as provided by Title 2, MCA. All certificates and endorsements are to be received by the Department prior to beginning any activity provided for under the Contract. Grantee shall notify the Department immediately of any material change in insurance coverage, such as changes in limits, coverage, change in status of policy, etc. The Department reserves the right to request complete copies of Grantee's insurance policy at any time, including endorsements.

Contractor

Date

Dore Schwinden, Director
Montana Department of Commerce

Date

ATTACHMENT A
PROJECT IMPLEMENTATION SCHEDULE
CONTRACT #MT-CDBG-ED12
(Name of Locality)

PROJECT START-UP

- Submit Complete Application
- Begin Project Planning
- Establish Project Files
- Prepare Management Plans/Prog. Inc.
- Prepare Environmental Review Record
- Finalize Contract with MDOC

PROJECT IMPLEMENTATION

- Negotiate Loan Agreement
- Submit Draft Loan Agreement to MDOC
- Final Loan Agreement after MDOC approval
- Document 51% LMI Benefit for Retained Jobs
- MDOC Release of Funds
- Submit First Drawdown
- Reports to MDOC Quarterly
- Obtain & Submit Financial Statements to MDOC Quarterly

PROJECT CLOSE-OUT

- Project Audited as Part of Organization-wide Audit of the Local Government
- Submit Audit to CDBG Program Officer
- Conditional Close-out
- Submit Audit Report to MDOC
- Final Close-out

ATTACHMENT B
PROJECT BUDGET
CONTRACT #MT-CDBG-ED12-
 (Name of Locality)

BUDGET FORM FOR CDBG ECONOMIC DEVELOPMENT PROJECTS (Sources and Uses)				
ADMINISTRATION	(Source)	(Source)	(Source)	TOTAL
PERSONAL SERVICES				
PROFESSIONAL SERVICES				
Audit*				
Total Administration				
ACTIVITY				
Total Activity				
TOTAL PROJECT BUDGET				

* Revised OMB Circular A-133 does not allow a local government grant recipient or sub-recipient expending less than \$500,000 of federal funds in a fiscal year to charge the cost of audits to the federal award.

EXHIBIT 8-A2

(This is an example of a contract between the Montana Department of Commerce and the Local Government (County) – to be completed by the Montana Department of Commerce)

**MONTANA COMMUNITY DEVELOPMENT BLOCK GRANT
ECONOMIC DEVELOPMENT PROGRAM**

MONTANA DEPARTMENT OF COMMERCE Contract # **MT-CDBG-ED12-XX**

A. PARTIES: The parties to this contract (the Contract) are the State of Montana, Department of Commerce (MDOC) (the Department), 301 South Park, Helena, Montana, 59620-0501, and the CONTRACTOR, (City/Town/County), (Address), IRS # (81-XXX).

B. PURPOSE: The purpose of the Contract is to provide funding for project activities as approved by the Department under the Montana Community Development Block Grant - Economic Development (CDBG-ED) Program for FY **2012**.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein, the parties hereto agree as follows:

1. AUTHORITY: The Contract is issued under authority of Title 18, Montana Code Annotated, and the Administrative Rules of Montana, Title 2, chapter 5.

2. SCOPE AND DUTIES:

a) The Contractor will engage in activities as set forth in the Contractor's application, including any written modifications resulting from the review of the applications by the Department for CDBG-ED grant assistance that by this reference are made a part hereof.

b) Grant funds of up to \$() are budgeted for administrative activities.

c) The Contractor, through (local development organization), will loan up to \$() of CDBG-ED economic development funds to (name of business) (the Borrower), a (type of business) located at (address), for (purpose of loan). The Borrower has projected number () full time equivalent (FTE) jobs will be created, of which number () of the newly created FTEs will be made available to or filled by low and moderate-income persons.

d) The loan is subject to the following terms and conditions, in addition to those specified in the application:

Any changes to these terms and conditions must be authorized by the MDOC loan review committee.

3. PERIOD OF CONTRACT: This Contract takes effect upon execution by the parties and will terminate upon completion of the final project closeout by the Department. The activities to be performed by the Grantee will be completed according to the implementation schedule included as Attachment A to this Contract, which by this reference is made a part of this Contract.

4. LIAISON: The contact person for the Department is (Commerce Employee Name and Title), Helena, Montana, or successor, and (Name of Local Official and Title), (Town or City), Montana, or successor, for the Contractor.

5. BUDGET

a) The total amount to be awarded to the Contractor under this Contract will not exceed \$_____.

b) A copy of the project budget is included as Attachment B to this Contract, and by this reference is made binding upon the Contractor. The Contractor may modify this budget only after having requested and received prior approval of the adjustment from the Department.

c) For budget adjustments of \$5,000 or less between line items of the CDBG-ED portion of Attachment B, Department approval of the Request for Payment form will constitute approval of the budget adjustment. The rationale for budget adjustment must be described in the Project Progress Report and the proposed adjustments noted in the Request for Payment and Status of Funds Report submitted with draws against the grant funding reserve. Budget adjustments in excess of \$5,000 require formal Department approval.

d) If an acceptable program income plan is submitted to the Department before funds are released for the project, the Contractor may be permitted to retain program income generated by the activities described under Section 2, SCOPE AND DUTIES. Program income received before the project is closed out by the Department must be expended on project activities before additional CDBG-ED funds are requested by the Contractor, unless such funds are committed to a Revolving Loan Fund (RLF) to continue the same activities. The receipt and expenditure of program income shall be treated as additional CDBG-ED funds subject to all applicable requirements governing the use of CDBG-ED funds, unless the amount of program income received in one year is less than \$25,000. The receipt and expenditure of program income shall be recorded as part of the financial transactions of the grant program. At the time of closeout, the Department will specify the conditions and requirements that will apply to program income

received by the Contractor after project closeout.

6. COMPENSATION & CONSIDERATION:

- a) The Department will authorize the Contractor to draw up to \$_____ against the funding reserved for it by the Department. In drawing against the reserved amount the Contractor will follow the instructions supplied by the Department.
- b) The Department will reimburse all eligible expenses incurred in furtherance of this Contract as provided in this Contract and upon approval by the Department of the Contractor's Request for Payment. The Department will reimburse the Contractor for approved, eligible and necessary expenses according to the documentation submitted by the Contractor to support the expenditures. The Department will not reimburse the Contractor for any costs incurred prior to the date of tentative grant award that was (Date of Award), nor for any expenses not included in the approved budget or not clearly and accurately supported by the Contractor's records. Any authorized funds not expended under this grant will revert to the Department and will be used to finance other CDBG-ED projects.
- c) The Department agrees to reimburse the Contractor for successfully completing the activities set forth in Section 2 SCOPE AND DUTIES, as the Contractor incurs project costs.
- d) The Contractor will review and determine the propriety of and need for each request for funds by the Borrower in relation to the proposed uses specified in its final CDBG-ED loan agreement and in the Contractor's CDBG-ED application to the Department.
- e) A copy of the loan agreement between the Contractor and the Borrower must be submitted to the Department for review before it is executed. The Contractor shall not execute the loan agreement until the Contractor receives written approval from the Department.
- f) The reimbursement of eligible costs incurred is contingent upon the Contractor's completion of Section 11 SPECIAL CONDITIONS. In the event the Contractor is unable to comply with the terms and conditions of this Contract, any costs incurred will be the Contractor's sole responsibility.
- g) If the actual cost of completing the project is less than has been projected by the Contractor in the preliminary budget (Attachment B), the Department may, at its discretion, reduce the amount to be provided under this Contract in proportion to the overall savings. For construction projects, if actual construction bids are less than the estimates included in the preliminary budget, the construction budget in the CDBG-ED Contract will be established at the bid price plus a ten percent (10%) contingency. The difference between actual project costs and the original grant award will be reallocated by the Department for unfunded or inadequately funded projects, or added to the following year's CDBG-ED allocation.

- h) **If the Department determines that the Contractor has failed to satisfactorily carry out its responsibilities under this Contract, the Department may revoke the Contractor's authority to draw against the reservation described herein until such time as the Department and the Contractor agree on a plan to remedy the deficiency.**
- i) The Montana Department of Commerce reserves the right to withdraw a commitment for any CDBG-ED funds which have not been disbursed twenty-four (24) months after the date of the announcement of the tentative grant award.
- j) If needed, travel expenses, meals and lodging will be reimbursed at the Montana State Rate.
- k) **The Department will withhold ten percent (10%) of the total authorized grant amount for administration, until all tasks outlined in Section 2. SCOPE AND DUTIES are completed and approved.** Within sixty (60) days after the completion of the project, the Contractor will prepare and submit to the Department a Project Completion Report in the form prescribed by the Department. The Department will disburse the retained amount upon receipt and approval of the Contractor's Project Completion Report. Prior to the receipt of the Project Completion Report, the Department liaison may authorize release of part or all of the retained amount when situations occur that would result in an undue financial hardship on the Contractor, providing the Contractor has demonstrated effective overall management of the current project and, when applicable, satisfactorily managed any earlier CDBG-ED projects, and submitted required reports in a timely manner.
- l) Unless otherwise stated herein, the Department is allowed 30 days to process requests for payments. The Contractor may be required to provide banking information at the time of Contract execution in order to facilitate electronic funds transfer payments. The Department may withhold payments to the Contractor if the Contractor has breached the terms of the Contract.

7. PERFORMANCE REPORTING

The Contractor will submit status reports on project performance at the request of, and in the format prescribed by the Department. These reports include, but are not limited to:

- a) Project Progress Reports describing the status of the project with respect to each implementation objective, including at a minimum, the percentage complete, costs incurred, funds remaining, progress towards achievement of hiring and training goals specified in the final plan to be prepared, as specified in Section 11 SPECIAL CONDITIONS, and projected completion date. The report must also describe any significant problems encountered and any necessary scope or implementation schedule modification requested. The Contractor must submit project progress reports to the MDOC with each Request for Payment, or at least quarterly. If a Request for Payment is not submitted during a given calendar quarter, the project progress report must be submitted to the MDOC within one month after the end of the calendar

quarter.

b) Loan Portfolio Data (LPD) Report. The LPD must be submitted once a year for the periods ending December 31.

The Contractor will monitor the Borrower's operations to ensure compliance with CDBG-ED requirements during the term of the project. The Contractor will require the Borrower to submit the following:

- i) Quarterly financial status reports;
- ii) Hiring and training reports must be submitted four (4) times per year for the periods ending March 31, June 30, September 30 and December 31;
- iii) Project Progress Reports describing the status of the project with respect to each implementation objective including at a minimum, the percentage complete, costs incurred, funds remaining and projected completion date. The report must also describe any significant problems encountered and any necessary scope of implementation modifications requested. At a minimum, this report must be submitted to the Department by the Contractor within 30 days of each calendar quarter ending March, June, September, and December;
- iv) Evidence documenting the propriety of the proposed use of CDBG-ED funds with each drawdown request and the Contractor's review of the proposed use;
- v) Annual business plan report indicating the Borrower's progress toward implementing the business plan proposed in the CDBG-ED application or noting any proposed revisions of the plan; and
- vi) Annual financial reports reviewed by a certified public accountant with full disclosure notes.

Unless otherwise specified, the Contractor will submit the above listed information to the Department until the goals contained in the hiring and training plan have been achieved, and the Contractor receives project closeout approval from the Department.

8. ASSURANCES:

a) The Contractor will comply with the Certifications of Application as signed and submitted with the Contractor's CDBG-ED application. The Contractor will comply with all applicable parts of Title I of the Housing and Community Development Act of 1974, as amended; the applicable Department of Housing and Urban Development (HUD) regulations in 24 CFR Part 570, as now in effect or as they may be amended during the term of this Contract, all requirements

established by the Department; applicable state and federal laws, regulations, administrative directives and procedures, and local ordinances and resolutions.

b) The Contractor agrees that all contracts entered into by it for the completion of activities described in Section 2 SCOPE AND DUTIES, will contain special provisions requiring contractors to comply with all applicable state and federal requirements.

c) The Contractor will comply with the Acceptance of CDBG Program Requirements, Certifications for Application as signed and submitted with the Contractor's CDBG-ED application. The Contractor will also comply with all other applicable federal and state statutory and regulatory requirements, administrative directives issued by the Department, and local ordinances and resolutions. All contracts entered into by the Contractor for the completion of activities described in Section 2. hereof must contain special provisions requiring contractors to comply with all applicable requirements.

d) **The Contractor expressly agrees to repay to the Department any funds advanced to the Contractor under this Contract which the Contractor, its subcontractors or Sub-recipient entities, or any public or private agent or agency to which it delegates authority to carry out portions of this Contract expends in violation of the terms of this Contract or the federal statutes and regulations governing the CDBG-ED program.**

9. AVOIDANCE OF CONFLICT OF INTEREST: The Contractor will comply with the provisions of 24 CFR 570.611 and with sections 2-2-105, 2-2-201, 7-3-4367, 7-5-2106, and 7-5-4109, MCA (as applicable) regarding the avoidance of conflict of interest.

10. ARTICLES INCORPORATED BY REFERENCE: The Contractor's full application for CDBG-ED grant assistance, the applicable HUD regulations at 24 CFR Part 570, and Title I of the Housing and Community Development Act of 1974, as now in effect or as they may be amended during the term of this Contract are incorporated in this Contract by this reference and are binding upon the Contractor.

11. SPECIAL CONDITIONS

The Contractor will not obligate or utilize funds for any activities provided for by this contract until:

a) The Contractor completes an Environmental Review Record and the Department issues a Notice of Release of Funds, however, upon receiving written authorization from the Department, the Contractor may incur administrative costs necessary for the preparation of the Environmental Review and for planning activities defined as exempt under 24 CFR part 58.34.

b) The Contractor submits to the Department evidence of the firm commitment of the other

resources necessary for the completion of the project as defined in Section 2 and Attachment B hereof.

- c) The Contractor submits to the Department an acceptable management plan and revolving loan fund plan, approved by the Department;
- d) The Contractor submits to the Department an acceptable loan agreement that includes the final hiring and training plan, approved by the Department, which must include the following:
 - i) A discussion of actions to be taken to ensure that the FTEs created will be made available to persons of low and moderate income;
 - ii) A breakdown of jobs to be created indicating job titles and hourly or monthly rates of compensation;
 - iii) A timetable for creating the jobs;
 - iv) An assurance that equal opportunity and nondiscrimination laws will be complied with;
 - v) Procedures for outreach, recruitment, screening, selection, training and placement of workers which will ensure maximum access for local residents, particularly persons of low and moderate income;
 - vi) A description of the Borrower's training curriculum and resources, if applicable;
 - vii) Written commitments from agencies participating in the implementation of the plan; and
 - viii) The Borrower's written commitment to comply with the plan.

The loan agreement conditions must be consistent with the application and any modifications imposed by the Department's Loan Review Committee.

e) The Contractor submits an acceptable inter-local agreement (or sub-recipient agreement, depending upon project) between (Local Government) and (Other Entity), approved by the Department, concerning project administration, management and coordination, and costs associated with the scope of work outlined in Section 2 SCOPE AND DUTIES, including responsibilities after project completion that includes an acceptable revolving loan fund plan, approved by the Department.

f) The Contractor completes the civil rights activities described in Chapter 5, "Civil Rights" of

the CDBG-ED Administrative Manual. The Department may approve in writing a deferral of certain elements of this requirement until the Contractor submits its conditional closeout report.

g) All project funding must be fully committed and available and the project must be ready to proceed within six (6) months of award. The Montana Department of Commerce reserves the right to withdraw a commitment of any CDBG-ED funds for projects not ready to proceed within six (6) months after the date of tentative grant award.

h) **If the Contractor fails to enforce the low and moderate-income verification and documentation requirements and to ensure that at least 51% of the full-time equivalent jobs created or retained as a direct result of this project are filled by or made available to low and moderate-income persons, the grant provided hereby will terminate and the Contractor will reimburse the Department all funds disbursed hereunder. If the projected number of jobs or percentage of low and moderate-income persons is not met during the contract period, the Contractor must be able to demonstrate a “good faith effort” on the part of the Contractor and the business assisted to achieve the projected goals, or the grant provided hereby will terminate and the Contractor will reimburse the Department all funds disbursed hereunder.**

12. OWNERSHIP AND PUBLICATIONS OF MATERIALS: All materials developed under the Contract are the property of the Department.

13. PROPERTY MANAGEMENT: Title to real property or equipment acquired under a grant or sub-grant will vest upon acquisition in the Contractor's or sub-grantee. The Contractor or sub-grantee will use, manage, and dispose of this property or equipment in accordance with the requirements set out in 24 CFR Part 85, Subpart C and 24 CFR Part 570, Subpart J.

14. ACCESS TO RECORDS AND PROJECT MONITORING:

a) The Contractor will maintain adequate and reasonable records of its performance under this Contract and will allow access to these records at any time during normal business hours by the Department, the U.S. Department of Housing and Urban Development, the Comptroller General and, when required by law, the Montana Legislative Auditor. These records will be kept in the Contractor's offices in (Name of town or city), Montana.

b) The Department or its agents may monitor and inspect all phases and aspects of the Contractor's performance to determine compliance with the SCOPE AND DUTIES, and other technical and administrative requirements, including the adequacy of the Contractor's records and accounts. The Department will advise the Contractor of any specific areas of concern and provide the Contractor opportunity to propose corrective actions acceptable to the Department.

15. EQUAL EMPLOYMENT OPPORTUNITY: Any hiring of employees by the Contractor under

this Agreement will be on the basis of merit and qualification, and the Contractor will not discriminate against any person on the basis of race, color, religion, creed, political ideas, sex, age, marital status, physical or mental disability, or national origin. As used herein, "qualification" means qualifications as are generally related to competent performance of the particular occupational task.

16. **COMPLIANCE WITH WORKERS' COMPENSATION ACT:** Contractors are required to comply with the provisions of the Montana Workers' Compensation Act while performing work for the State of Montana in accordance with sections 39-71-401, 39-71-406, and 39-71-417, MCA. Proof of compliance must be in the form of workers' compensation insurance, an independent contractor's exemption, or documentation of corporate officer status. Neither the contractor nor its employees are employees of the State. This insurance/exemption must be valid for the entire term of the contract. A renewal document must be sent to the Community Development Block Grant – Economic Development Program, Montana Department of Commerce, PO Box 200505, Helena, Montana, 59620-0505 upon expiration.

CONTRACTS WILL NOT BE ISSUED TO CONTRACTORS WHO FAIL TO PROVIDE THE REQUIRED DOCUMENTATION WITHIN THE ALLOTTED TIME FRAME.

Coverage may be provided through a private carrier or through the State Compensation Insurance Fund (406) 444-6500. An exemption can be requested through the Department of Labor and Industry, Employment Relations Division (406) 444-1446. Corporate officers must provide documentation of their exempt status.

17. **DEBARMENT:** The Contractor certifies that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in the Contract by any governmental department or agency. If the Contractor cannot certify this statement, attach a written explanation for review by the Department.

18. **FAILURE TO HONOR CONTRACT:** If the Contractor refuses or fails to deliver in accordance with the Contract terms and conditions, the State Procurement Bureau may, in its discretion, suspend the Contractor for a period of time from entering into any contracts with the State of Montana.

19. **ACCESS AND RETENTION OF RECORDS:** The Contractor agrees to provide the Department, Legislative Auditor, or their authorized agents, access to any records necessary to determine contract compliance (Mont. Code Ann. § 18-1-118). The Contractor agrees to create and retain records supporting the services rendered or supplies delivered for a period of three years after either the completion date of the Contract or the conclusion of any claim, litigation, or exception relating to the Contract taken by the State of Montana or third party.

20. CONTRACT TERMINATION

- a) Termination for Cause. The State may, by written notice to the Contractor, terminate this contract in whole or in part at any time the Contractor fails to perform this contract; OR
- b) Termination for Cause with Notice to Cure Requirement. The State may terminate this contract for failure of the Contractor to perform any of the services, duties, or conditions contained in this contract after giving the Contractor written notice of the stated failure. The written notice must demand performance of the stated failure within a specified period of time of not less than forty-five (45) days. If the demanded performance is not completed within the specified period, the termination is effective at the end of the specified period; OR
- c) Termination for Convenience. The State may, by written notice to the Contractor, terminate this contract without cause. The State must give notice of termination to the Contractor at least 15 (fifteen) days prior to the effective date of termination; AND
- d) Reduction of Funding. The State, at its sole discretion, may terminate or reduce the scope of this contract if available funding is reduced for any reason. (See Mont. Code Ann. § 18-4-313(4).)

21. **UNAVAILABILITY OF FUNDING:** The Department may, at its sole discretion, terminate or reduce the scope of the Contract if available funding is eliminated or reduced for any reason.

22. **U.S. FUNDS:** All prices and payments must be in U.S. dollars.

23. **DEFAULT:** Failure on the part of either party to perform the provisions of the Contract constitutes default. Default may result in the pursuit of remedies for breach of contract, including but not limited to damages and specific performance.

24. **CONFORMANCE WITH CONTRACT:** No alteration of the terms, conditions, delivery, price, quality, quantities, or specifications of the Contract shall be granted without prior written consent of the Department.

25. **VENUE:** The Contract is governed by the laws of Montana. The parties agree that any litigation concerning the Contract must be brought in the First Judicial District in and for the County of Lewis and Clark, State of Montana, and each party shall pay its own costs and attorney fees. (Mont. Code Ann. § 18-1-401.)

26. **COMPLIANCE WITH LAWS:** The Contractor must, in performance of work under the Contract, fully comply with all applicable federal, state, or local laws, rules and regulations, including the Montana Human Rights Act, the Civil Rights Act of 1964, the Age Discrimination Act of 1975, the Americans with Disabilities Act of 1990, and Section 504 of the Rehabilitation Act of 1973. Any subletting or subcontracting by the Contractor subjects subcontractors to the same provision. In accordance with Mont. Code Ann. § 49-3-207, the Contractor agrees that the

hiring of persons to perform the Contract will be made on the basis of merit and qualifications and there will be no discrimination based upon race, color, religion, creed, political ideas, sex, age, marital status, physical or mental disability, or national origin by the persons performing the Contract.

27. **DISABILITY ACCOMMODATIONS:** The Department does not discriminate on the basis of disability in admission to, access to, or operations of its programs, services, or activities. Individuals, who need aids, alternative document formats, or services for effective communications or other disability-related accommodations in the programs and services offered, are invited to make their needs and preferences known to this office. Interested parties should provide as much advance notice as possible.

28. **NO ARBITRATION:** Unless otherwise agreed to in writing or provided for by law, arbitration is not available to the parties as a method of resolving disputes that arise under the Contract.

29. **ASSIGNMENT, TRANSFER AND SUBCONTRACTING:** The Contractor shall not assign, transfer or subcontract any portion of the Contract without the express written consent of the Department. (Mont. Code Ann. § 18-4-141.)

30. **MODIFICATION:** The Contract may not be enlarged, modified, amended or altered except upon written agreement signed by all parties to the Contract.

31. **ALTERATION OF SOLICITATION DOCUMENT:** In the event of inconsistencies or contradictions between language contained in the Department's solicitation document and a Contractor's response, the language contained in the Department's original solicitation document will prevail. Intentional manipulation and/or alteration of solicitation document language will result in the Contractor's disqualification and possible debarment.

32. **SOLICITATION DOCUMENT EXAMINATION:** The Contractor shall promptly notify the Department of any ambiguity, inconsistency, or error, which they may discover upon examination of a solicitation document.

33. **FACSIMILE RESPONSES:** Facsimile responses will be accepted for limited solicitations **ONLY** if they are completely received by the Department prior to the time set for receipt. Bids, or portions thereof, received after the due time will not be considered.

34. **NOTICE:** All notices required under the provisions of the Contract must be in writing and delivered to the parties' liaisons either by regular mail or personal service.

35. **SEPARABILITY:** A declaration by any court, or any other binding legal source, that any provision of the Contract is illegal and void shall not affect the legality and enforceability of any other provision of the Contract, unless the provisions are mutually dependent.

36. **SHIPPING:** Supplies shall be shipped prepaid, F.O.B. Destination, unless the Contract

specifies otherwise.

37. **TAX EXEMPTION:** The State of Montana is exempt from Federal Excise Taxes (#81-0302402).

38. **WARRANTIES:** The Contractor warrants that items offered will conform to the specifications requested, to be fit and sufficient for the purpose manufactured, of good material and workmanship and free from defect. Items offered must be new and unused and of the latest model or manufacture, unless otherwise specified by the Department.

39. **HOLD HARMLESS AND INDEMNIFICATION:** The Contractor agrees to protect, defend, and save the State, its elected and appointed officials, agents, and employees, while acting within the scope of their duties as such, harmless from and against all claims, demands, causes of action of any kind or character, including the cost of defense thereof, arising in favor of the Contractor's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed or omissions of services or in any way resulting from the acts or omissions of the Contractor and/or its agents, employees, representatives, assigns, subcontractors, except the sole negligence of the State, under the Contract.

40. **REGISTRATION WITH SECRETARY OF STATE:** Any business intending to transact business in Montana must register with the Secretary of State. Businesses that are incorporated in another state or country, but which are conducting activity in Montana, must determine whether they are transacting business in Montana in accordance with Mont. Code Ann. §§ 35-1-1026 and 35-8-1001. Such businesses may want to obtain the guidance of their attorney or accountant to determine whether their activity is considered transacting business.

If businesses determine that they are transacting business in Montana, they must register with the Secretary of State and obtain a certificate of authority to demonstrate that they are in good standing in Montana. To obtain registration materials, call the Office of the Secretary of State at (406) 444-3665, or visit their website at <http://www.sos.mt.gov>.

41. **TECHNOLOGY ACCESS FOR BLIND OR VISUALLY IMPAIRED:** Contractor acknowledges that no state funds may be expended for the purchase of information technology equipment and software for use by employees, program participants, or members of the public unless it provides blind or visually impaired individuals with access, including interactive use of the equipment and services, that is equivalent to that provided to individuals who are not blind or visually impaired. (Mont. Code Ann. § 18-5-603.) Contact the State Procurement Bureau at (406) 444-2575 for more information concerning non-visual access standards.

42. **REFERENCE TO CONTRACT:** The Contract number **MUST** appear on all invoices, packing lists, packages and correspondence pertaining to the Contract.

43. INTEGRATION: The Contract contains the entire agreement between the parties, and no statements, promises, or inducements of any kind made by either party, or the agents of either party, not contained herein are valid or binding.

44. INSURANCE:

- (a) General Requirements. Grantee shall maintain and shall assure that its representatives, assigns, and subcontractors maintain for the duration of the Contract, at their own cost and expense, primary liability insurance against claims for injuries to persons or damages to property, including contractual liability, which may arise from or in connection with the performance of the duties and obligations in the Contract by Grantee, its agents, employees, representatives, assigns, or subcontractors. This insurance shall cover such claims as may be caused by any negligent act or omission. The State, its officers, officials, employees, and volunteers are to be covered as additional insured's for all claims arising out of the use of grant proceeds provided by the State of Montana.
- (b) Primary Insurance. Grantee's insurance coverage shall be primary insurance with respect to the State of Montana, its elected or appointed officers, officials, employees, or volunteers and shall not contribute with it.
- (c) General Liability Insurance. At its sole cost and expense, the Grantee shall purchase occurrence coverage with minimum combined single limits of \$1 million per occurrence and \$2 million aggregate per year, or as established by statutory Tort limits of \$750,000 per claim and \$1,500,000 per occurrence as provided by a self-insurance pool insuring counties, cities, or towns, as authorized under Section 2-9-211, MCA.
- (d) Professional Liability Insurance. Grantee shall assure that any representatives, assigns, and subcontractors performing professional services under this Contract purchase occurrence coverage with combined single limits for each wrongful act of \$1,000,000 per occurrence and \$2,000,000 aggregate per year. Note: if "occurrence" coverage is unavailable or cost prohibitive, the Contractor may provide "claims made" coverage provided the following conditions are met: (1) the commencement date of the contract must not fall outside the effective date of insurance coverage and it will be the retroactive date for insurance coverage in future years; and (2) the claims made policy must have a three (3) year tail for claims that are made (filed) after the cancellation or expiration date of the policy.
- (e) Property Insurance. At its sole cost and expense, the Grantee shall maintain property and hazard insurance, including course of construction coverage, and earthquake insurance in areas where there is a shaking level above 10g (see map at <http://rmt.d.mt.gov/aboutus/publications/files/NEHRP.pdf>) for loss or damage for any

building and all related improvements and contents therein on the premises on a replacement cost basis throughout the term of the contract.

- (f) General Provisions. All insurance coverage shall be placed with a carrier licensed to do business in the State of Montana or by a domiciliary state and with a Best's rating of at least A-, or by a public entity self-insured program either individually or on a pool basis as provided by Title 2, MCA. All certificates and endorsements are to be received by the Department prior to beginning any activity provided for under the Contract. Grantee shall notify the Department immediately of any material change in insurance coverage, such as changes in limits, coverage, change in status of policy, etc. The Department reserves the right to request complete copies of Grantee's insurance policy at any time, including endorsements.

Contractor

Date

Dore Schwinden, Director
Montana Department of Commerce

Date

ATTACHMENT A
PROJECT IMPLEMENTATION SCHEDULE
CONTRACT #MT-CDBG-ED12
(Name of Locality)

PROJECT START-UP

- Submit Complete Application
- Begin Project Planning
- Establish Project Files
- Prepare Management Plans/Prog. Inc.
- Prepare Environmental Review Record
- Finalize Contract with MDOC

PROJECT IMPLEMENTATION

- Negotiate Loan Agreement
- Submit Draft Loan Agreement to MDOC
- Final Loan Agreement after MDOC approval
- Document 51% LMI Benefit for Retained Jobs
- MDOC Release of Funds
- Submit First Drawdown
- Reports to MDOC Quarterly
- Obtain & Submit Financial Statements to MDOC Quarterly

PROJECT CLOSE-OUT

- Project Audited as Part of Organization-wide Audit of the Local Government
- Submit Audit to CDBG Program Officer
- Conditional Close-out
- Submit Audit Report to MDOC
- Final Close-out

ATTACHMENT B
PROJECT BUDGET
CONTRACT #MT-CDBG-ED12-
 (Name of Locality)

BUDGET FORM FOR CDBG ECONOMIC DEVELOPMENT PROJECTS				
(Sources and Uses)				
ADMINISTRATION	(Source)	(Source)	(Source)	TOTAL
PERSONAL SERVICES				
PROFESSIONAL SERVICES				
Audit*				
Total Administration				
ACTIVITY				
Total Activity				
TOTAL PROJECT BUDGET				

* Revised OMB Circular A-133 does not allow a local government grant recipient or sub-recipient expending less than \$500,000 of federal funds in a fiscal year to charge the cost of audits to the federal award.

EXHIBIT 8-B

MONTANA DEPARTMENT OF COMMERCE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM SUPPLEMENTAL CONDITIONS TO LOAN AGREEMENTS

Note: This set of conditions is to be used as a supplement to the loan agreement.

The following Supplemental Conditions are hereby made a part of the loan agreement to which they are appended supplementing that agreement and superseding any of its articles of which they are in conflict.

The parties to this agreement are (Name of Lender) (Lender), (Address) and (Name of Borrower) (Borrower), (Address).

1. WORKERS' COMPENSATION INSURANCE. It is understood that pursuant to section 39-71-401 MCA, the Borrower has obtained, and will maintain at its expense for the duration of the loan agreement, coverage in a workers' compensation plan for its principles and employees.

2. MAINTAIN BUSINESS LOCATION. Borrower also agrees not to remove Borrower's business facility, or the majority of the proposed jobs to be created and/or retained as a condition of the loan, from the (City or Town) and (County) for the (Number of Years) time frame contemplated by the Loan and in any event not until such time as the Loan is fully repaid. Noncompliance of this condition constitutes a default of the agreement.

3. COMPLIANCE WITH HIRING AND TRAINING PLAN. Borrower shall comply with the Final Hiring and Training Plan attached hereto as (Exhibit ____). Borrower shall file quarterly employment reports with Lender showing the degree to which Borrower has complied with the hiring commitments established hereby. The conditions contained in this paragraph apply until the Montana Department of Commerce approves the Grantee's Conditional or Final Certification of Completion upon project closeout.

If the Borrower fails to enforce the low and moderate-income verification and documentation requirements and to ensure that at least (Number) of the full-time equivalent jobs created as a direct result of this project are filled by or made available to low and moderate-income persons, the loan provided hereby will terminate and the Borrower will reimburse the Lender all funds disbursed hereunder. If the projected number of jobs or percentage of low and moderate-income persons is not met during the contract period, the Borrower must be able to demonstrate a documented good faith effort on the part of the Borrower to achieve the projected goals, or the Loan provided hereby will terminate and the Borrower reimburse the Lender all funds disbursed hereunder.

4. COMPLIANCE WITH FEDERAL LAW.

- a. Civil Rights Act of 1964. In the performance of this Loan Agreement Borrower shall abide by the provisions of Title VI of the Civil Rights Act of 1964 which provides that no person may, on the grounds of race, color, religion, sex, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.

- b. Section 109 of the Housing and Community Development Act of 1974, Age Discrimination Act of 1975, and Section 504 of the Rehabilitation Act of 1973. In the performance of this Loan Agreement Borrower shall comply with this Federal legislation, which provides: The purpose of this part is to implement the provisions of section 109 of title I of the Housing and Community Development Act of 1974 (Title I) (42 U.S.C. 5309). Section 109 provides that no person in the United States shall, on the ground of race, color, national origin, religion, or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with Federal financial assistance. Section 109 does not directly prohibit discrimination on the basis of age or disability, and the regulations in this part 6 do not apply to age or disability discrimination in Title I programs. Instead, section 109 directs that the prohibitions against discrimination on the basis of age under the Age Discrimination Act of 1975 (42 U.S.C. 6101-6107) (Age Discrimination Act) and the prohibitions against discrimination on the basis of disability under section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) (Section 504) apply to programs or activities funded in whole or in part with Federal financial assistance. Thus, the regulations of 24 CFR part 8, which implement Section 504 for HUD programs, and the regulations of 24 CFR part 146, which implement the Age Discrimination Act for HUD programs, apply to disability and age discrimination in Title I programs.
- c. Section 3 of the Housing and Urban Development Act of 1968. The purpose of section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) (section 3) is to ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, state and local laws and regulations, be directed to low and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low and very low-income persons.

5. FEDERAL LABOR STANDARDS PROVISIONS. Borrower agrees to notify Lender prior to entering into any contracts in excess of \$2,000 which will be funded, in whole or in part, with proceeds from this Loan so that Lender may make a determination whether applicable Federal labor standard laws apply to the proposed contract. If Federal labor standard provisions are determined to be applicable to the contract, Borrower shall comply with all such Federal labor standard provisions and shall cooperate with Lender in insuring that all Federal labor standard provisions are complied with by all contractors involved with the project.

6. ASSIGNMENT, TRANSFER AND SUBCONTRACTING. The Borrower shall not assign, transfer or subcontract any portion of the loan without the express written consent of the Department of Commerce, the Local Government, and the Lender (if other than the Local Government such as a local or regional development corporation).

EXHIBIT 8-C1
SAMPLE FUNDING ASSISTANCE AGREEMENT

Training Grant Assistance Agreement
Agreement Number _____

(This agreement template should be used for training grants)

A. PARTIES: The parties to this contract (***the Contract***) are (name of local government and address) (the City, Town, or County), and (name of assisted business or non-profit, and address) (the Contractor), tax identification number _____.

B. PURPOSE: The purpose of the Contract is for the Contractor to use \$_____ in Community Development Block Grant – Economic Development (CDBG-ED) grant funds for Job Training, to train up to (number) employees over a (number) month period beginning (date) and ending (date). The funding will help train the aforementioned workers in (description of type of worker training).

NOW, THEREFORE, in consideration of the mutual promises and covenants herein, the parties hereto agree as follows:

1. SCOPE AND DUTIES: The Contractor will engage in activities as set forth in the Contractor's Montana Department of Commerce's application, and in the Contractor's Hiring and Training Plan (*Attachment A*), including any written modifications resulting from the review of the application by the Montana Department of Commerce for grant assistance, all of which, by this reference are made a part hereof.

The scope of the Contract is for the Contractor to use \$_____ in CDBG-ED Job Training funds to train up to (number) employees over a (number) month period.

The (City, Town, or County) will only release funds to reimburse eligible and documented training costs for an eligible employee, if the employee is compensated at a documented rate of **\$xxxxx** (required minimum amount for 2013) per hour including benefits, or *(the Contractor has been granted an exemption from the standard \$xxxx hourly rate due to (reason for exemption))*.

The Contractor will submit status reports on project performance at the request of, and in the format prescribed by, the (City, Town, or County) and the Montana Department of Commerce. These reports include, but are not limited to:

- a) Project progress reports describing the status of the project with respect to each implementation objective, including at a minimum, the percentage complete, costs incurred, funds remaining and projected completion date. The report must also describe significant problems encountered, documented uses of matching funds and/or in-kind contributions and any necessary scope or implementation schedule modifications requested; and

- b) Unless otherwise specified, by the (City, Town, or County), the Contractor will submit quarterly progress reports to the (City, Town, or County) until the goals contained in the plan have been achieved, and the Contractor receives project closeout approval from the (City, Town, or County) and the Montana Department of Commerce.

The Montana Department of Commerce and the (City, Town, or County) must pre-approve any changes to these terms and conditions.

2. COMPENSATION & CONSIDERATION: The total amount to be awarded to the Contractor under the Contract will be up to \$5,000 per eligible employee for documented training costs reimbursement not to exceed a total of \$_____ dollars for the entire Contract. The Contractor will provide at least \$_____ in matching funds (cash and in-kind) consistent with the purposes expressed in the application during the period of the Contract. The Contractor may modify this budget only after having requested and received prior approval of the adjustment from the (City, Town, or County), and the Montana Department of Commerce.

The (City, Town or County's) and the Montana Department of Commerce's approval of the Request for Payment form will constitute approval of the budget adjustment. The rationale for budget adjustment must be described in the Project Progress Report and the proposed adjustments noted in the Request for Payment and Status of Funds Report submitted with draws against the Contract funding reserve.

- a) The (City, Town, or County) will authorize the Contractor to draw up to \$_____ against the funding reserved for the Contractor by the (City, Town, or County). In drawing against the reserved amount, the Contractor will follow the instructions supplied by the (City, Town, or County).
- b) If the (City, Town, or County) determines that the Contractor has failed to satisfactorily carry out the duties and responsibilities under the Contract, the (City, Town, or County) may revoke the Contractor's authority to draw against the reserved amount described herein until such time as the (City, Town, or County) and the Contractor agree on a plan to remedy the deficiency.
- c) The (City, Town, or County) reserves the right to withdraw a commitment for any CDBG-ED funds which remain un-disbursed at the end of the Contract period.
- d) Eligible training costs that may be reimbursable include the following:
1. Salaries of eligible employees during training activities;
 2. Salaries of in-house trainers during training activities involving eligible employees;
 3. Direct costs of training such as manuals, materials, supplies, tuition, prorated shares of consultant or training fees for related training; and,
 4. Domestic travel for training.

e) Ineligible expenses include but are not necessarily limited to the following:

1. Foreign travel;
2. Development of training curriculum and materials;
3. Equipment, buildings or other fixed assets;
4. Sectarian activities;
5. Unionization;
6. Displacement of current employees; and
7. Relocation of any business or part of the business from another location involving loss of any employees at the original location will be considered a violation of the Contract and may, at the Department's discretion, prevent any further requests for funds.

The Contractor shall contact the (City, Town, or County) if the Contractor has any questions regarding costs eligible for reimbursement.

3. PERIOD OF CONTRACT: The Contract will be in effect for the period commencing (date) and ending (date) unless otherwise terminated by law or in compliance with the terms of the Contract.

4. LIAISON: The contact person for the (City, Town, or County) is (name, title, location), and (name, title, location), for the Contractor.

5. COMPLIANCE WITH WORKERS' COMPENSATION ACT: The Contractor is required to supply the (City, Town, or County) with proof of compliance with the Montana Workers' Compensation Act while performing work for the State of Montana. (Mont. Code Ann. §§ 39-71-120, 39-71-401, and 39-71-405.) Neither the Contractor nor its employees are employees of the State. The proof of insurance/exemption must be valid for the entire Contract period and must be received by the (City, Town, or County) within 5 working days of the Contractor's execution of the Contract.

CONTRACTS WILL NOT BE ISSUED TO CONTRACTORS WHO FAIL TO PROVIDE THE REQUIRED DOCUMENTATION WITHIN THE ALLOTTED TIME FRAME.

Coverage may be provided through a private carrier or through the State Compensation Insurance Fund (406) 444-6500. An exemption can be requested through the Department of Labor and Industry, Employment Relations Division (406) 444-1446. Corporate officers must provide documentation of their exempt status.

6. DEBARMENT: The Contractor certifies that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in the Contract by any governmental department or agency. If the Contractor cannot certify this statement, attach a written explanation for review by the (City, Town, or County).

7. FAILURE TO HONOR CONTRACT: If the Contractor refuses or fails to deliver in accordance with the Contract terms and conditions, the State Procurement Bureau may, in its discretion, suspend the Contractor for a period of time from entering into any contracts with the State of Montana.

8. ACCESS AND RETENTION OF RECORDS: The Contractor agrees to provide the (City, Town, or County), the Montana Department of Commerce, Legislative Auditor, or their authorized agents, access to any records necessary to determine contract compliance (Mont. Code Ann. § 18-1-118). The Contractor agrees to create and retain records supporting the services rendered or supplies delivered for a period of three years after either the completion date of the Contract or the conclusion of any claim, litigation, or exception relating to the Contract taken by the State of Montana or third party.

9. TERMINATION OF CONTRACT: Unless otherwise stated, the (City, Town, or County) may, by written notice to the Contractor, terminate the contract in whole or in part at any time the Contractor fails to perform the Contract.

10. UNAVAILABILITY OF FUNDING: The (City, Town, or County) may, at its sole discretion, terminate or reduce the scope of the Contract if available funding is eliminated or reduced for any reason.

11. U.S. FUNDS: All prices and payments must be in U.S. dollars.

12. SECURITY: As security for the performance of this Agreement, Contractor will guarantee to the County/City/Town that in the event that Contractor does not make jobs available to low and moderate-income persons and cooperate in the documentation of job creation and income verification that the full amount of assistance provided under this agreement will be paid back to the County/City/Town.

13. DEFAULT: Failure on the part of either party to perform the provisions of the Contract constitutes default. Default may result in the pursuit of remedies for breach of contract, including but not limited to damages and specific performance.

14. CONFORMANCE WITH CONTRACT: No alteration of the terms, conditions, delivery, price, quality, quantities, or specifications of the Contract shall be granted without prior written consent of the (City, Town, or County) and the Montana Department of Commerce. Supplies delivered which do not conform to the Contract terms, conditions, and specifications may be rejected and returned at the Contractor's expense.

15. VENUE: The Contract is governed by the laws of Montana. The parties agree that any litigation concerning the Contract must be brought in the (First, Second, etc.) Judicial District in and for the (appropriate County), State of Montana, and each party shall pay its own costs and attorney fees. (Mont. Code Ann. § 18-1-401.)

16. COMPLIANCE WITH LAWS: The Contractor must, in performance of work under the Contract, fully comply with all applicable federal, state, or local laws, rules and regulations, including the Montana Human Rights Act, the Civil Rights Act of 1964, the Age Discrimination Act of 1975, the Americans with Disabilities Act of 1990, and Section 504 of

the Rehabilitation Act of 1973. Any subletting or subcontracting by the Contractor subjects subcontractors to the same provision. In accordance with Mont. Code Ann. § 49-3-207, the Contractor agrees that the hiring of persons to perform the Contract will be made on the basis of merit and qualifications and there will be no discrimination based upon race, color, religion, creed, political ideas, sex, age, marital status, physical or mental disability, or national origin by the persons performing the Contract.

17. **DISABILITY ACCOMMODATIONS:** The (City, Town, or County) does not discriminate on the basis of disability in admission to, access to, or operations of its programs, services, or activities. Individuals, who need aids, alternative document formats, or services for effective communications or other disability-related accommodations in the programs and services offered, are invited to make their needs and preferences known to this office. Interested parties should provide as much advance notice as possible.

18. **ASSIGNMENT, TRANSFER AND SUBCONTRACTING:** The Contractor shall not assign, transfer or subcontract any portion of the Contract without the express written consent of the (City, Town, or County) and the Montana Department of Commerce. (Mont. Code Ann. § 18-4-141.)

19. **MODIFICATION:** The Contract may not be enlarged, modified, amended or altered except upon written agreement signed by all parties to the Contract.

20. **NOTICE:** All notices required under the provisions of the Contract must be in writing and delivered to the parties' liaisons either by regular mail or personal service.

21. **SEPARABILITY:** A declaration by any court, or any other binding legal source, that any provision of the Contract is illegal and void shall not affect the legality and enforceability of any other provision of the Contract, unless the provisions are mutually dependent.

22. **HOLD HARMLESS AND INDEMNIFICATION:** The Contractor agrees to protect, defend, and save the Montana Department of Commerce, and the (City, Town, or County) elected and appointed officials, agents, and employees, while acting within the scope of their duties as such, harmless from and against all claims, demands, causes of action of any kind or character, including the cost of defense thereof, arising in favor of the Contractor's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed or omissions of services or in any way resulting from the acts or omissions of the Contractor and/or its agents, employees, representatives, assigns, subcontractors, except the sole negligence of the State, under the Contract.

23. **REGISTRATION WITH SECRETARY OF STATE:** Any business intending to transact business in Montana must register with the Secretary of State. Businesses that are incorporated in another state or country, but which are conducting activity in Montana, must determine whether they are transacting business in Montana in accordance with Mont. Code Ann. §§ 35-1-1026 and 35-8-1001. Such businesses may want to obtain the guidance of their attorney or accountant to determine whether their activity is considered

transacting business.

If businesses determine that they are transacting business in Montana, they must register with the Secretary of State and obtain a certificate of authority to demonstrate that they are in good standing in Montana. To obtain registration materials, call the Office of the Secretary of State at (406) 444-3665, or visit their website at <http://www.sos.mt.gov>.

24. TECHNOLOGY ACCESS FOR BLIND OR VISUALLY IMPAIRED: Contractor acknowledges that no state funds may be expended for the purchase of information technology equipment and software for use by employees, program participants, or members of the public unless it provides blind or visually impaired individuals with access, including interactive use of the equipment and services, that is equivalent to that provided to individuals who are not blind or visually impaired. (Mont. Code Ann. § 18-5-603.) Contact the State Procurement Bureau at (406) 444-2575 for more information concerning non-visual access standards.

25. REFERENCE TO CONTRACT: The Contract number MUST appear on all invoices, packing lists, packages and correspondence pertaining to the Contract.

26. INTEGRATION: The Contract contains the entire agreement between the parties, and no statements, promises, or inducements of any kind made by either party, or the agents of either party, not contained herein are valid or binding.

This Contract is made and entered into on the _____ day of _____, 2012.

(name, title) _____ Date
(name of business)

(local official's name, title) _____ Date
(City, Town or County)

EXHIBIT 8-C2
SAMPLE FUNDING ASSISTANCE AGREEMENT

Grant Assistance Agreement
Agreement Number _____

(This agreement sample should be used for infrastructure grants, or non-profit grants)

A. PARTIES: The parties to this contract *(the Contract)* are (name of local government and address) (the City, Town, or County), and (name of assisted business or non-profit, and address) (the Contractor), tax identification number _____.

B. PURPOSE: The purpose of the Contract is for the Contractor to

(use \$ _____ in Community Development Block Grant – Economic Development (CDBG-ED) grant funds for [name activity to be completed under agreement by the non-profit], or

(receive extension of water/sewer service [or other improvement] as a result of the CDBG-ED award to the City, Town or County).

NOW, THEREFORE, in consideration of the mutual promises and covenants herein, the parties hereto agree as follows:

1. SCOPE AND DUTIES: The Contractor will engage in activities as set forth in the Contractor's Montana Department of Commerce's application, and in the Contractor's Hiring and Training Plan *(Attachment A)*, including any written modifications resulting from the review of the application by the Montana Department of Commerce for grant assistance, all of which, by this reference are made a part hereof.

The scope of the Contract is for the Contractor to (describe activity).

The Contractor will submit status reports on project performance at the request of, and in the format prescribed by, the (City, Town, or County) and the Montana Department of Commerce. These reports include, but are not limited to:

- a) Project progress reports describing the status of the project with respect to each implementation objective, including at a minimum, the percentage complete, costs incurred, funds remaining and projected completion date. The report must also describe significant problems encountered, documented uses of matching funds and/or in-kind contributions and any necessary scope or implementation schedule modifications requested; and

- b) Unless otherwise specified, by the (City, Town, or County), the Contractor will submit quarterly progress reports to the (City, Town, or County) until the goals contained in the plan have been achieved, and the Contractor receives project closeout approval from the (City, Town, or County) and the Montana Department of Commerce.

The Montana Department of Commerce and the (City, Town, or County) must pre-approve any changes to these terms and conditions.

2. COMPENSATION & CONSIDERATION: The total amount to be awarded to the Contractor under the Contract will be up to \$_____. The Contractor will provide at least \$_____ in matching funds (cash and in-kind) consistent with the purposes expressed in the application during the period of the Contract. The Contractor may modify this budget only after having requested and received prior approval of the adjustment from the (City, Town, or County), and the Montana Department of Commerce.

The (City, Town or County's) and the Montana Department of Commerce's approval of the Request for Payment form will constitute approval of the budget adjustment. The rationale for budget adjustment must be described in the Project Progress Report and the proposed adjustments noted in the Request for Payment and Status of Funds Report submitted with draws against the Contract funding reserve.

- a) The (City, Town, or County) will authorize the Contractor to draw up to \$_____ against the funding reserved for the Contractor by the (City, Town, or County). In drawing against the reserved amount, the Contractor will follow the instructions supplied by the (City, Town, or County).
- b) If the (City, Town, or County) determines that the Contractor has failed to satisfactorily carry out the duties and responsibilities under the Contract, the (City, Town, or County) may revoke the Contractor's authority to draw against the reserved amount described herein until such time as the (City, Town, or County) and the Contractor agree on a plan to remedy the deficiency.
- c) The (City, Town, or County) reserves the right to withdraw a commitment for any CDBG-ED funds which remain un-disbursed at the end of the Contract period.

The Contractor shall contact the (City, Town, or County) if the Contractor has any questions regarding costs eligible for reimbursement.

3. PERIOD OF CONTRACT: The Contract will be in effect for the period commencing (date) and ending (date) unless otherwise terminated by law or in compliance with the terms of the Contract.

4. LIAISON: The contact person for the (City, Town, or County) is (name, title,

location), and (name, title, location), for the Contractor.

5. COMPLIANCE WITH WORKERS' COMPENSATION ACT: The Contractor is required to supply the (City, Town, or County) with proof of compliance with the Montana Workers' Compensation Act while performing work for the State of Montana. (Mont. Code Ann. §§ 39-71-120, 39-71-401, and 39-71-405.) Neither the Contractor nor its employees are employees of the State. The proof of insurance/exemption must be valid for the entire Contract period and must be received by the (City, Town, or County) within 5 working days of the Contractor's execution of the Contract.

CONTRACTS WILL NOT BE ISSUED TO CONTRACTORS WHO FAIL TO PROVIDE THE REQUIRED DOCUMENTATION WITHIN THE ALLOTTED TIME FRAME.

Coverage may be provided through a private carrier or through the State Compensation Insurance Fund (406) 444-6500. An exemption can be requested through the Department of Labor and Industry, Employment Relations Division (406) 444-1446. Corporate officers must provide documentation of their exempt status.

6. DEBARMENT: The Contractor certifies that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in the Contract by any governmental department or agency. If the Contractor cannot certify this statement, attach a written explanation for review by the (City, Town, or County).

7. FAILURE TO HONOR CONTRACT: If the Contractor refuses or fails to deliver in accordance with the Contract terms and conditions, the State Procurement Bureau may, in its discretion, suspend the Contractor for a period of time from entering into any contracts with the State of Montana.

8. ACCESS AND RETENTION OF RECORDS: The Contractor agrees to provide the (City, Town, or County), the Montana Department of Commerce, Legislative Auditor, or their authorized agents, access to any records necessary to determine contract compliance (Mont. Code Ann. § 18-1-118). The Contractor agrees to create and retain records supporting the services rendered or supplies delivered for a period of three years after either the completion date of the Contract or the conclusion of any claim, litigation, or exception relating to the Contract taken by the State of Montana or third party.

9. TERMINATION OF CONTRACT: Unless otherwise stated, the (City, Town, or County) may, by written notice to the Contractor, terminate the contract in whole or in part at any time the Contractor fails to perform the Contract.

10. UNAVAILABILITY OF FUNDING: The (City, Town, or County) may, at its sole discretion, terminate or reduce the scope of the Contract if available funding is eliminated or reduced for any reason.

11. U.S. FUNDS: All prices and payments must be in U.S. dollars.

12. SECURITY: As security for the performance of this Agreement, Contractor will guarantee to the County/City/Town that in the event that Contractor does not make jobs available to low and moderate-income persons and cooperate in the documentation of job creation and income verification that the full amount of assistance provided under this agreement will be paid back to the County/City/Town.

13. DEFAULT: Failure on the part of either party to perform the provisions of the Contract constitutes default. Default may result in the pursuit of remedies for breach of contract, including but not limited to damages and specific performance.

14. CONFORMANCE WITH CONTRACT: No alteration of the terms, conditions, delivery, price, quality, quantities, or specifications of the Contract shall be granted without prior written consent of the (City, Town, or County) and the Montana Department of Commerce. Supplies delivered which do not conform to the Contract terms, conditions, and specifications may be rejected and returned at the Contractor's expense.

15. VENUE: The Contract is governed by the laws of Montana. The parties agree that any litigation concerning the Contract must be brought in the (First, Second, etc.) Judicial District in and for the (appropriate County), State of Montana, and each party shall pay its own costs and attorney fees. (Mont. Code Ann. § 18-1-401.)

16. COMPLIANCE WITH LAWS: The Contractor must, in performance of work under the Contract, fully comply with all applicable federal, state, or local laws, rules and regulations, including the Montana Human Rights Act, the Civil Rights Act of 1964, the Age Discrimination Act of 1975, the Americans with Disabilities Act of 1990, and Section 504 of the Rehabilitation Act of 1973. Any subletting or subcontracting by the Contractor subjects subcontractors to the same provision. In accordance with Mont. Code Ann. § 49-3-207, the Contractor agrees that the hiring of persons to perform the Contract will be made on the basis of merit and qualifications and there will be no discrimination based upon race, color, religion, creed, political ideas, sex, age, marital status, physical or mental disability, or national origin by the persons performing the Contract.

17. DISABILITY ACCOMMODATIONS: The (City, Town, or County) does not discriminate on the basis of disability in admission to, access to, or operations of its programs, services, or activities. Individuals, who need aids, alternative document formats, or services for effective communications or other disability-related accommodations in the programs and services offered, are invited to make their needs and preferences known to this office. Interested parties should provide as much advance notice as possible.

18. ASSIGNMENT, TRANSFER AND SUBCONTRACTING: The Contractor shall not assign, transfer or subcontract any portion of the Contract without the express written consent of the (City, Town, or County) and the Montana Department of Commerce. (Mont. Code Ann. § 18-4-141.)

19. MODIFICATION: The Contract may not be enlarged, modified, amended or altered except upon written agreement signed by all parties to the Contract.

20. NOTICE: All notices required under the provisions of the Contract must be in writing and delivered to the parties' liaisons either by regular mail or personal service.

21. SEPARABILITY: A declaration by any court, or any other binding legal source, that any provision of the Contract is illegal and void shall not affect the legality and enforceability of any other provision of the Contract, unless the provisions are mutually dependent.

22. HOLD HARMLESS AND INDEMNIFICATION: The Contractor agrees to protect, defend, and save the Montana Department of Commerce, and the (City, Town, or County) elected and appointed officials, agents, and employees, while acting within the scope of their duties as such, harmless from and against all claims, demands, causes of action of any kind or character, including the cost of defense thereof, arising in favor of the Contractor's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed or omissions of services or in any way resulting from the acts or omissions of the Contractor and/or its agents, employees, representatives, assigns, subcontractors, except the sole negligence of the State, under the Contract.

23. REGISTRATION WITH SECRETARY OF STATE: Any business intending to transact business in Montana must register with the Secretary of State. Businesses that are incorporated in another state or country, but which are conducting activity in Montana, must determine whether they are transacting business in Montana in accordance with Mont. Code Ann. §§ 35-1-1026 and 35-8-1001. Such businesses may want to obtain the guidance of their attorney or accountant to determine whether their activity is considered transacting business.

If businesses determine that they are transacting business in Montana, they must register with the Secretary of State and obtain a certificate of authority to demonstrate that they are in good standing in Montana. To obtain registration materials, call the Office of the Secretary of State at (406) 444-3665, or visit their website at <http://www.sos.mt.gov>.

24. TECHNOLOGY ACCESS FOR BLIND OR VISUALLY IMPAIRED: Contractor acknowledges that no state funds may be expended for the purchase of information technology equipment and software for use by employees, program participants, or members of the public unless it provides blind or visually impaired individuals with access, including interactive use of the equipment and services, that is equivalent to that provided to individuals who are not blind or visually impaired. (Mont. Code Ann. § 18-5-603.) Contact the State Procurement Bureau at (406) 444-2575 for more information concerning non-visual access standards.

25. REFERENCE TO CONTRACT: The Contract number MUST appear on all invoices, packing lists, packages and correspondence pertaining to the Contract.

26. INTEGRATION: The Contract contains the entire agreement between the parties, and no statements, promises, or inducements of any kind made by either party, or the agents of either party, not contained herein are valid or binding.

This Contract is made and entered into on the _____ day of _____, 2012.

(name, title) _____ Date
(name of business)

(local official's name, title) _____ Date
(City, Town or County)

EXHIBIT 8-D

NAME OF LOCAL GOVERNMENT OR NON-PROFIT ENTITY

(Whichever is managing the revolving loan fund)

SAMPLE REVOLVING LOAN FUND PLAN

The Local Government received a Fiscal Year xxxx Community Development Block Grant – Economic Development (CDBG-ED) Program grant from the Montana Department of Commerce (MDOC). The Local Government has entered into a sub-recipient agreement with Non-Profit Entity to manage loan repayments from this grant award.

The non-administrative portion of that grant was made available to a private business, Name of Business, in the form of a loan. The loan proceeds were used for Purpose of Loan, i.e. acquisition, finance, and working capital. The terms of the loan agreement are specified in a duly recorded loan document on record at Local Government, Montana. That document is hereby incorporated by reference into this Revolving Loan Fund Plan. The repayments on this loan will be paid into an interest-bearing Revolving Loan fund account, to be used for further relending activity.

ORGANIZATIONAL MISSION

The Local Government or Non-Profit Entity Revolving Loan Fund (RLF) is designed to stimulate economic development activity by assisting the private sector, in order to create or retain jobs for low and moderate-income persons. These funds will be used in situations where a funding gap exists and alternative sources of public and private financing are not adequate. These funds are intended to complement conventional business financing techniques by leveraging funding from other federal and state financing programs and private lending institutions.

The RLF is designed to assist businesses by making appropriate long-term, fixed rate financing available to them at reasonable interest rates, and by providing public improvements in support of economic development activities.

PROGRAM OBJECTIVE

The objective of the Revolving Loan Fund (RLF) will be to continue the activities from which the program income is being derived, specifically:

1. Create and retain employment opportunities, to benefit no less than 51% Low and Moderate Income (LMI) persons within the City, Town, County which is the designated RLF Assistance area; and

2. Assist in preventing or eliminating blight, beautification, or upgrading within the commercial/business district of the community; and
3. Contribute partial funding as match for community development projects funded with state and federal funds.

I. ELIGIBLE APPLICANTS

Eligible applicants requesting loan assistance will be restricted to **for-profit businesses within the designated RLF Assistance Area. The RLF Assistance Area is defined as being within the (City, Town, County).**

MAXIMUM LOAN AMOUNT

Maximum loan amounts depend on the type of financing requested, as listed below.

ELIGIBLE ACTIVITIES

Typical eligible activities include: land acquisition, public facilities and other improvements in support of economic development, such as water and sewer lines, and access roads; for acquisition, construction, rehabilitation, or installation of commercial and industrial buildings, facilities, equipment, or working capital; employee training; and grants to nonprofit entities.

Use of program income must be consistent with eligible activities as determined by the U.S. Department of Housing and Urban Development (24 CFR Part 570.201 or Section 105(a) of Title I of the Housing and Community Development Act) and the Montana DOC Community Development Block Grant Program.

1. CDBG-ED Project Development

The **Local Government or Non-Profit Entity** may use program income to defray project development costs incurred during the development of public facility projects, housing projects or economic development projects within the .

Activities may include but will not be limited to:

- legal advertisements specific to project development
- preparation of market studies/architectural or engineering studies
- feasibility studies
- computerization/operational assistance
- accounting/legal reviews
- grant preparation

2. CDBG Project Participation

The City may use program income to participate in partial funding of public facilities projects, housing projects, or economic development projects within the City, Town, County.

Activities may include but will not be limited to contributing matching funds to augment state and federal funding for City, Town, County projects

TYPES OF FINANCING AVAILABLE

a. *Business Support Loans*

Eligible applicants may apply for loan assistance to finance activities that will strengthen their business and increase the likelihood of retaining or expanding the business within the designated Business/Commercial District or Designated Location.

Activities may include but will not be limited to:

- preparation of business plans
- market studies
- project feasibility studies
- computerization/operational assistance

Amounts of loan requests for Business Support Loans will not exceed \$xxx, or XX% of total activity cost. Loans will be amortized over a X-year term at no less than X% interest and no greater than X% interest.

b. *Business Direct Loans*

Eligible applicants may apply for assistance to finance predetermined and documented business retention and/or expansion of activities. Loan proceeds may be used for the following activities:

- building/site acquisition
- site development/new construction
- building renovation
- equipment acquisition
- working capital

Amounts of loan requests for Business Direct Loans will not exceed \$xxx or xx% of total activity cost. Terms of the loans will not exceed seven (7) years for working capital loans or ten (10) years for all other building related or equipment loans. Interest rates will be no less than X% or greater than X%.

c. *Interest or Principal Buy-downs*

Eligible applicants may apply for financial assistance in the form of an interest or principal buy-down of a commercial loan. The proceeds of the commercial loan must be used for program eligible activities as described herein for Business Support or Business Direct loans.

- d. Eligible applicants who own or intend to purchase a building within the Business/Commercial District may make a one-time application for loan assistance to finance exterior renovation, signage, facade renovation or construction. Loan amounts will not exceed \$XXX, amortized at X% over a X-year term.

II. APPLICATION PROCEDURES

The Revolving Loan Fund Committee will accept loan applications on an open-cycle basis. The application deadline will be 5:00 p.m. the last working day of any week. Completed loan applications may be mailed or delivered to Location on or before the application deadline. (See application form - Attachment A)

Applicants should use the application summary and attach all required information. In addition, the for-profit business or nonprofit entity should complete the Business Application Requirements section of the guidelines.

Applications that propose public improvements as assistance to businesses will be accepted by Name of Entity and reviewed with similar procedures as loans to for-profit businesses. The application must include a complete business plan and financial package for each business assisted.

Applications will be reviewed and analyzed by the committee and Other Entity, (if applicable) on a “first come, first served” basis, as determined by the date of the full application is found to be complete by Name of Entity.

Applicants should also be aware that in most cases it may take two to four weeks before any funds will actually be received after the decision to award a grant has been made.

LOAN REVIEW PROCESS

Loan applications received on or before the application deadline will receive a preliminary review by the Loan Review Committee to determine completeness of each application. Only complete applications will be advanced to the formal review process.

The loan review committee is comprised of Name of Entity members who at present consist of two banking representatives, two business representatives, and two rural representatives. This makeup allows for replacement by appointment from (Name of Entity).

The Committee will review each application for compliance with program objectives.

Each application will be evaluated separately on a first-come first-served basis. Should requests for funds exceed funds available, applications that are deemed to represent a likelihood of broadest impact will receive the most favorable review.

Ranking of Applications

Each Revolving Loan Fund application for assistance will be ranked in five categories, a best ranking will equal 5 points, an average ranking will equal 3 points, and a poor ranking will equal 1 point. Any application receiving less than a poor score in a category is ineligible for the benefits of this program and will be rejected.

1. Business proposal is appropriate for the city and this program.

Best = 5 points

Average = 3 points

Poor = 1 point

2. Number of jobs created or retained.

Greater than 10 jobs = 5 points

Between and including 5 and 10 jobs = 3 points

Less than 5 jobs = 1 point

3. Cost per job.

Less than or equal to \$5,000/job = 5 points

\$5001 - 10,000 job = 3 points

\$10,000/job - \$20,000/job = 1 point

4. Business proposal is financially feasible.

5. Percent benefit to Low and Moderate Income Persons

80% - 100% = 5 points

60% - 79% = 3 points

51% - 59% = 1 point

Note: Compute by dividing the number of jobs created for and/or retained by LMI persons by the total number of jobs created and/or retained.

6. Area economic impact: Project which has the broadest potential for impact on other area businesses, or real estate values, or school enrollments, or agriculture, etc., will be given a "Best" (5 points). Other applications will be ranked against the best application, with the next best receiving an "Average" (3 points).

Within 60 calendar days from the application deadline, the Committee will provide the City Council with a written evaluation of each loan application, accompanied with a recommendation for loan approval or rejection by the Council.

PRIORITIZING APPLICATIONS

In addition to ranking individual applications, Revolving Loan Fund expenditures will be prioritized as follows:

1. Business expansions to enhance job retention or creation;
2. New business, locating within the RLF Assistance Area, which creates jobs;
3. Start-up of business with job creation potential;
4. Revitalization of business property;
5. Demolition for blight removal.

III. ANNUAL REPORT

As required by the Montana Department of Commerce, an annual report of Revolving Loan Fund activities will be submitted to the Community Development Block Grant – Economic Development Program along with a proposed budget for the following year.

AMENDMENTS TO THE ECONOMIC DEVELOPMENT REVOLVING LOAN FUND GUIDELINES

The Name of Entity may amend these guidelines by a majority vote of the Name of Entity and approved by the Montana Department of Commerce. Amendments will be incorporated into a revised statement of the CDBG Economic Development Program Income Revolving Loan Fund Guidelines.

APPROVED:

_____	_____
Local Government Official	Date

_____	_____
Non-Profit Representative	Date

ATTEST:

_____	_____
Name	Date

Local Government or Non-Profit Entity
CDBG Economic Development Revolving Loan Fund
January 1, October 2013 – December 31, October 2013
BUDGET

INCOME

1. Loan payments	
Interest only, projected	\$ 15,222
Principal and interest	\$ 22,076
TOTAL INCOME	<u>\$ 37,298</u>

EXPENSES

ADMINISTRATION

Personnel Services	
1. Salaries, Wages, Benefits, Office Costs	\$ 1,500
2. Supplies	\$ 150
3. Postage/Printing	\$ 150
4. Telephone	\$ 100
5. Legal	\$ 600
TOTAL ADMINISTRATION	<u>\$ 2,500</u>

ACTIVITY

Project Development	
6. Legal Publications	\$ 250
7. Architect/Engineering Services	\$ 2,500
8. Consulting Services	\$ 2,500
9. Legal Documentation	\$ 500
TOTAL PROJECT DEVELOPMENT	<u>\$ 5,750</u>

Project Participation

10. Land Acquisition	\$ 0
11. Demolition/Clearance	\$ 0
12. Architect/Engineering Services	\$ 2,500
13. Construction	\$ 14,800
14. Other	\$ 0
TOTAL PROJECT PARTICIPATION	<u>\$ 17,300</u>

TOTAL EXPENSES	<u>\$ 25,550</u>
-----------------------	-------------------------

Income	\$37,298
(minus) -Expenses	<u>\$25,550</u>
Total Revolving Loan Fund	<u>\$11,748</u>

NOTE: Budget line carryovers will be allocated to RLF.

BUDGET NARRATIVE

ADMINISTRATION

1. Personnel Services:	
Calculated at \$15/hr. 10 hrs./month, 10 month period	\$ 1,500
2. Supplies: estimated Program Costs (10 months)	\$ 150
3. Postage/printing: estimated Program Costs	\$ 150
4. Telephone: estimated Program Costs	\$ 100
5. Legal: estimated Program Reimb. for Co. Attorney/program time	\$ 600
Total Administration	<u>\$ 2,500</u>

ACTIVITIES

6. Legal Publications:	
Public Hearings - Water Project	(\$40)
Prof. Procurement - Water Project	(\$65)
Public Hearings - County Jail Project	(\$40)
Public Hearings - E.D. Project	(\$40)
Procurement - E.D. Project	<u>(\$65)</u>
Subtotal	\$ 250
7. Architect/Engineering Services Schematic Design - Jail Project	\$ 2,500
8. Consulting Services: Grant Preparation - E.D. Project	\$ 2,500
9. Legal Documentation: Prof. Svcs Contract Prep. and/or review	\$ 500
10. Land Acquisition	\$ - 0 -
11. Demolition/Clearance	\$ - 0 -
12. Architect/Engineering Services	
Constr. drawings, permit plans - handicapped accessibility proj.	\$ 2,500
13. Construction - Handicapped Access Project	\$14,800
14. Other	<u>\$ - 0 -</u>
Total Activity.....	<u>\$25,550</u>

ATTACHMENT A
Local Government or Non-Profit Entity

LOAN APPLICATION
Program Income Revolving Loan Fund

APPLICANT INFORMATION:

Name of Business: _____
Address: _____
Telephone: _____ (Fax) _____
Tax ID Number: _____
Contact Person: _____ (Phone) _____

Number of Years in Business: _____
Form of Business: Sole Proprietorship: _____ Partnership: _____
Corporation: _____ Other _____

Business Description (attach additional sheet if more space is required):

TYPE OF LOAN REQUESTED:

Business Support _____
Business Direct _____
Interest Buydown _____
Business District Revitalization _____.

NOTE:

Additional information may be requested by the Committee. That information may include, but may not be limited to the following financial exhibits; most current Balance Sheet; Profit and Loss Statement; Cash Flow Statement; Reconciliation of Net Worth; Earning Projections; and/or current personal financial statement for the business owner or any individual with more than 10% ownership.

Amount of Loan requested: _____

Source and amount of matching funds (if applicable)

Source _____

Amount _____

Purpose of Loan:

Certification:

As the responsible certified agent for _____ (name of business) _____, I hereby submit this application for loan assistance from the Local Government or Non-Profit Entity Revolving Loan Fund. The information presented in this application is, to the best of my knowledge, true and accurate. I further acknowledge that any employment positions retained or created as the result of a loan must benefit no less than 51% low to moderate income persons.

Signature

Name and Title

Date

EXHIBIT 8-E
CALCULATION OF BENEFIT
TO LOW AND MODERATE INCOME PERSONS AND
RACE AND ETHNICITY CATEGORIES

Communities with a local CDBG economic development project must use the following format for job applicants and new hires for jobs created or retained to document the family income. ****Contact the CDBG-ED staff for a copy of the latest HUD Income Limits for each county in the State.** New income figures are available each spring from the Department of Housing and Urban Development. The new income figures will be sent to current grantees as soon as they are available. The figures for income levels for the county in which the project will be located should be placed under the appropriate spaces on the form for each family size.

The income level stated for the form can be based on either the previous 12 months before the date the form is signed or on the income reported on the most recent income tax form submitted to the Internal Revenue. The method used should be consistent. It is often difficult for an individual to determine accurately the income for the previous 12 months, which would necessitate using the reported income tax statement for the most recent tax year.

Race and ethnicity categories should be collected at the same time that income surveys are given. A sample form is part of this exhibit for collection of that data.

NOTE: The form included here is the acceptable format. Other variations of the form may not meet HUD guidelines, and the Department must review other variations before they are used. The form used must have the warning that income may be verified and penalties could be imposed for false statements. Information obtained from the applicant should be sufficient to complete **Exhibit 8-F**. Copies are available from the Department.

Income Certification for Job Creation and/or Retention

The following information is necessary for purposes of documenting that you qualify as a low and moderate income (LMI) person under our community's Community Development Block Grant – Economic Development (CDBG-ED) project. The CDBG-ED Program is a federal program intended to assist "low and moderate income families." Your response will be kept confidential and will not be available to the general public.

Included in the federal definition of "annual income" are all payments from all sources received by the family head (even if temporarily absent) and each additional member of the family who is not a minor. Income includes:

1. The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses;
2. The net income from operation of a business or profession or from rental or real or personal property (this includes gross receipts, minus operating expenses, received from the operation of an unincorporated farm or ranch);
3. Interest and dividends;
4. The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;
5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay;
6. Public assistance;
7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling; and
8. All regular pay, special pay and allowances of a member of the armed forces (whether or not living in the dwelling) who is head of the family or spouse.
9. Indicate whether or not your employment status prior to being hired for this current position was "unemployed prior to hire", or "employed elsewhere prior to hire" (**for new hires**); or "currently hired in this position" if you're not a new employee.

CDBG INCOME LIMITS BY SIZE OF HOUSEHOLD

Household Size

County	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
Extremely Low								
Low Income								
Moderate Income								
My Income Exceeds The Amounts Above								

I certify that, after reviewing the definition of "annual income" above, the total gross income of all members of my family for year **2012** *(or the previous 12 months from the date the form is filled out)* is as **circled** above. I further certify that the above statement is true, accurate, and complete to the best of my knowledge and belief. I agree to provide income verification if requested by local officials.

Please check one of the following:

(FOR NEW HIRES)

_____ Unemployed prior to hire

_____ Employed elsewhere prior to hire

Applicant's Signature

Applicant's Printed Name

(OR)

_____ Currently employed at this business

Address

Date

NOTE: Section 1001 of Title 18 of the United States Code and Criminal Procedure shall apply to the foregoing certification. Title 18 provides, among other things, that whoever knowingly and willfully makes or uses a document or writing containing any false, fictitious, or fraudulent statement or entry, in any matter within the jurisdiction of any department or agency of the United States, shall be fined not more than \$10,000 or imprisoned not more than five years or both.

SAMPLE CDBG INCOME LIMITS BY SIZE OF HOUSEHOLD

Household Size

Blaine County	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
Extremely Low	9850	11250	12650	14050	15150	16300	17400	18550
Low Income	16400	18750	21100	23450	25350	27200	29100	30950
Moderate Income	26250	30000	33750	37500	40500	43500	46500	49500
My Income Exceeds The Amounts Above								

(Note to Person Preparing Form: Insert the appropriate income limits above for each size of household.)

I certify that, after reviewing the definition of "annual income" above, the total gross income of all members of my family for year **2012** *(or the previous 12 months from the date the form is filled out)* is as **circled** above. I further certify that the above statement is true, accurate, and complete to the best of my knowledge and belief. I agree to provide income verification if requested by local officials.

Please check one of the following:

(FOR NEW HIRES)

_____ Unemployed prior to hire

_____ Employed elsewhere prior to hire

Applicant's Signature

Applicant's Printed Name

(OR)

_____ Currently employed at this business

Address

Date

NOTE: Section 1001 of Title 18 of the United States Code and Criminal Procedure shall apply to the foregoing certification. Title 18 provides, among other things, that whoever knowingly and willfully makes or uses a document or writing containing any false, fictitious, or fraudulent statement or entry, in any matter within the jurisdiction of any department or agency of the United States, shall be fined not more than \$10,000 or imprisoned not more than five years or both.

Federal Standards for Definition of Low and Moderate Income Status
(Income eligibility standards from the U.S. Housing Act of 1937)

Section 889.103. Determination of income for eligibility.

For purposes of determining whether a family is a lower-income family, income shall be determined in accordance with Section 889.104, except that where a family has net family assets in excess of \$5,000, income shall include the actual amount of income, if any, derived from all of the net family assets or 10 percent of the value of all such assets, whichever is greater. For purposes of this section, net family assets means value of equity in real property, savings, stocks, bonds, and other forms of capital investment. The value of necessary items such as furniture and automobiles shall be excluded.

Section 889.104. Computation of annual income.

- (a) Except as provided in paragraph (b) of this section, all payments from all sources received by the family head (even if temporarily absent) and each additional member of the family household who is not a minor shall be included in the annual income of a family. Income shall include, but not be limited to:
- (1) The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses;
 - (2) The net income from operation of a business or profession or from rental or real or personal property (for this purpose, expenditures for business expansion or amortization of capital indebtedness shall not be deducted to determine the net income from a business);
 - (3) Interest and dividends;
 - (4) The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;
 - (5) Payments in lieu of earnings, such as unemployment and disability compensation, workmen's compensation and severance pay (see paragraph (8) (b) (3) of this section).
 - (6) Public Assistance. If the public assistance payment includes an amount specifically designated for shelter and utilities which is subject to adjustment by the public assistance agency in accordance with the actual cost of shelter and utilities, the amount of public assistance income to be included as income shall consist of:
 - (i) The amount of the allowance or grant exclusive of the amount specifically designated for shelter and utilities, plus
 - (ii) The maximum amount which the public assistance agency could in fact allow for the family for shelter and utilities.
 - (7) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling:
 - (8) All regular pay, special pay and allowances of a member of the armed forces

(whether or not living in the dwelling) who is head of the family or spouse (see paragraph (8) (b) (5) of this section).

- (b) The following items shall not be considered as income:
- (1) casual, sporadic or irregular gifts;
 - (2) amounts which are specifically for or in reimbursement of the cost of medical expenses;
 - (3) lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and workmen's compensation), capital gains and settlement for personal or property losses;
 - (4) Amounts of educational scholarships paid directly to the student or to the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment. Any amounts of such scholarships, or payments to veterans, not used for the above purposes of which are available for subsistence are to be included in income;
 - (5) The special pay to a serviceman head of a family away from home and exposed to hostile fire;
 - (6) Relocation payments made pursuant to Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970;
 - (7) foster child care payments;
 - (8) the value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is in excess of the amount actually charged the eligible household;
 - (9) payments received pursuant to participation in the following volunteer programs under the ACTION Agency;
 - (i) National Volunteer Antipoverty Programs which include VISTA, Service Learning Programs and Special Volunteer Programs.
 - (ii) National Older American Volunteer Programs for persons aged 60 and over which include Retired Senior Volunteer Programs, Foster Grandparent Program, Older American Community Services Program, and National Volunteer Program to Assist Small Business Experience, Service Corps of Retired Executive (SCORE) and Active Corps of Executives (ACE).

**INDIVIDUAL DIRECT BENEFIT ETHNICITY AND
RACIAL CATEGORY REPORTING FORM**
**(To be Completed by Newly Hired Persons, or by Persons Holding a
Current Job for Job Retention Projects)**

(Name of local government) is required by federal regulations governing the Community Development Block Grant –Economic Development Program to request the following information in order for the Montana Department of Commerce to monitor **(Name of local development organization's)** compliance with federal equal opportunity and fair housing laws.

Federal law provides that an agency may not discriminate on the basis of this information, or on the basis of whether you choose to furnish the information. However, if you choose not to furnish it, this agency is required to note race, gender and/or handicap status on the basis of visual observation and/or surname.

If you do **not** wish to provide the requested information, please check the following box:

☐ **I do not wish to furnish this information.**

~~~~~  
**Please select from each of the following categories:**

**Ethnicity:** (select one of the following)

- ☐ Hispanic or Latino  
☐ Not Hispanic or Latino

**Race:** (select the one that best describes your category)

- ☐ White  
☐ Black or African American  
☐ Asian  
☐ American Indian or Alaskan Native  
☐ Native Hawaiian or Other Pacific Islander  
☐ American Indian or Alaskan Native *and* White  
☐ Asian *and* White  
☐ Black or African American *and* White  
☐ American Indian or Alaskan Native *and* Black or African American

**Other Needed Information:** (select all that apply)

- ☐ Female  
☐ Male  
☐ Handicapped  
☐ Female Head of Household

~~~~~  
If applicable, when the person declines to furnish the information:

On the basis of sight or surname, the above information has been noted by:

Name: _____ Initialed: _____

Title: _____ Date: _____

EXHIBIT 8-F

EMPLOYMENT TRACKING & DIRECT BENEFIT SUMMARY

INSTRUCTIONS FOR COMPLETING FORM

NOTE: HUD is requiring states to collect and report additional information from assisted businesses. This revised form includes new categories for reporting. Please review these new categories, then start collecting and reporting the new information on future employment tracking forms. If you have any questions, please contact a CDBG-ED staff person.

1. **RACE AND ETHNICITY DATA** Please note that race categories and ethnicity columns are on the form. Both columns need to be filled out for each employee reported.
2. **DUNS IDENTIFICATION NUMBER** Provide the D&B DUNS Identification number for the assisted business. If the business does not have a DUNS number, they must apply for one. For more information, see this website: http://www.whitehouse.gov/omb/grants/duns_num_guide.pdf
3. **NAIC CODE** Report the NAIC industry classification code for the assisted business. For more information, see this website: <http://www.census.gov/cgi-bin/sssd/naics/naicsrch?chart=2007>
4. **CLASSIFICATION CODE** Identify the job classification code for each position.
5. **HEALTH CARE BENEFITS** Declare whether or not a business sponsors health care benefits for its employees.

General Information

A family's income is the income amount at the time jobs are filled, not after a person is hired into the position. For new hires, income is determined for the year prior to the date the person is hired. For projects retaining jobs, the income levels should be documented for the prior year's income of the family.

NOTE: Businesses claiming retention of jobs should have submitted this form or its equivalent with the application to document existing employees eligible as low and moderate income. The form must indicate which positions are currently held by low and moderate income persons. The application must have provided clear and objective evidence that, in the absence of the CDBG-ED assistance, the jobs would have been lost, and the business had to commit to filling as many new job openings from turnover and job creation, if any, as reasonably possible with low and moderate income persons.

Fill out the Form for all new hires, being sure to update "Total Positions to Date" as well as the "Total Number of LMI Hires to Date." This form is to be used on an on-going basis, with

quarterly reports submitted to the Department. Grantees may insert as many lines as needed to record new hires during the course of the MDOC contract. **It is not necessary to fill out a separate form each quarterly report, rather, to use this tracking sheet as a continuous, cumulative record of hiring activity.**

If you have an employee that is terminated and later rehired, the person is treated the same as a “new hire.” A new Income Certification form must be filled out, since the person’s LMI, status may have changed during the intervening time period.

Instructions for Top of Page

1. **NAME OF LOCAL GOVERNMENT**

Enter the name of the grantee – i.e., the name of the City, Town or County

2. **NAME OF ASSISTED ENTITY/BUSINESS**

Enter the name of the assisted entity or business

3. **DUNS NUMBER FOR BUSINESS**

Enter the DUNS number for the assisted business

4. **NAIC CODE**

Enter the NAIC industry classification for the type of business

5. **DOES THE BUSINESS PROVIDE HEALTH CARE BENEFITS?**

Enter a “yes” or “no” to whether the business sponsors health care benefits for its employees

6. Enter your **CDBG-ED Contract Number** (MT-CDBG-EDXX-XX)

7. Enter the **calendar quarter** (month/day/year) for which this form is being completed (e.g., March 31, XXXX; June 30, XXXX; September 30, XXXX; December 31, XXXX)

8. Enter the **Total (Cumulative) Number of FTEs trained** from the beginning of the project through the end of the current quarter, and also the **total number of LMI FTEs trained to date.**

9. For projects proposing to create new jobs: Enter the Total (Cumulative) Number of New Positions **Created** from the beginning of the project through the end of the current quarter. This number would include the Total (Cumulative) Number of New FTEs **actually hired as permanent employees after completing the training program and probationary period.** **Ensure that jobs/positions that experience job turnover are not double-counted.**

10. For projects proposing to retain jobs: Enter the Total Number of FTEs **Retained**. Unless the assisted entity is proposing to create some new jobs along with job retention, this number will not change throughout the term of the project.

11. Enter the name of the **person who verified the information** on this form for this quarter.

NOTE: The MDOC recommends that the project manager, the job service, or other assisting agency fill out this form. If someone from the assisted entity (the business) fills out this form, the project manager, the job service, or other assisting agency should perform (and document) independent tests to verify that the information is correct.

12. **Enter the date** the information on this form for this quarter was verified (the date the form was filled out)

Instructions for Columns

13. **EMPLOYEE NAME**

Enter the name of the employee and position title.

14. **POSITION NUMBER**

Enter the employment or job **Position Number** or other unique position identifier (*a unique position identifier is **required** to ensure that jobs are not double-counted in turnover situations*)

15. **JOB CODE**

Enter the Job Code that identifies the position (see KEY)

16. **HIRE STATUS**

Enter the hire status letter code (see KEY)

17. **DATE HIRED**

Enter the date the person was hired

18. **DATE TERMINATED**

Enter the date the person was terminated, if applicable

19. **FULL TIME OR PART TIME**

Enter the two-letter code for full time or part time employee (see KEY)

20. **FTE PERCENTAGE**

All positions must be converted to “Full Time Equivalents” (FTEs).

If the person was hired into a position that works 40 hours per week, enter a “**1.0**” in this column.

If the person was hired into a position that works **less than 40 hours per week, the FTE must be calculated as a fraction or percent of a 40-hour workweek, and entered in this column.** For example:

20 hrs/wk = 0.5 FTE (20 hrs / 40 hrs); enter **0.5** in the column

30 hrs/wk = 0.75 FTE (30 hrs / 40 hrs) enter **0.75** in the column

21. **PERMANENT OR SEASONAL WORKER**

Enter the one-letter code to indicate if the employee is permanent or seasonal (see KEY)

NOTE: Permanent, year-round jobs are the priority of the program. **Only permanent jobs may usually be counted.** Temporary construction jobs, other temporary jobs and some seasonal jobs may not be counted. Projects involving primarily seasonal jobs are not generally acceptable under federal CDBG requirements. In order to be counted, a seasonal job must be the **primary occupation** and the **principal source of income** to the low- to moderate-income person for the year. This situation is very difficult to document and is not encouraged for CDBG projects.

22. **RATE OF PAY**

Enter the hourly rate for all positions, even salaried positions.

23. **INCOME LEVEL**

For new hires, the *CALCULATION OF BENEFIT TO LOW AND MODERATE INCOME PERSONS AND RACE AND ETHNICITY CATEGORIES* (income survey form), **EXHIBIT 8-E** should be completed at the time a person is hired. Enter the income level code for each employee, as indicated on completed income survey forms (see KEY)

24. **RACIAL CATEGORY**

Enter the code that corresponds to the appropriate Racial Category for the employee (see KEY).

25. **ETHNICITY CATEGORY**

Enter the code that corresponds to whether or not the employee is Hispanic or Latino (see KEY)

26. **MALE**

Check if employee is male

27. **FEMALE**

Check if employee is female

28. **HANDICAPPED STATUS**

Check if employee is handicapped

29. **FEMALE HEAD OF HOUSEHOLD**

Check if employee is a female head of household

EMPLOYMENT TRACKING & DIRECT BENEFIT SUMMARY DATA	
NAME OF LOCAL GOVERNMENT: _____	FORM COMPLETED FOR QUARTER END _____
NAME OF ASSISTED ENTITY/BUSINESS _____	Total FTEs Trained to Date/Total LMI FTEs Trained to Date:_____/_____
DUNS NUMBER FOR BUSINESS : _____	Total FTEs Created to Date / Total LMI FTE Hires to Date: _____ / _____
NAIC CODE: _____	Total FTEs Retained to Date: _____
DOES BUSINESS PROVIDE HEALTH CARE BENEFITS: _____	PAYROLL VERIFIED BY: _____
CDBG CONTRACT #: _____	DATE: _____

[illegible]

[illegible]

EMPLOYMENT TRACKING & DIRECT BENEFIT SUMMARY DATA

NAME OF LOCAL GOVERNMENT: 1

Form Completed for the Quarter Ended: 4

NAME OF ASSISTED ENTITY/BUSINESS: 2

Total FTE Trained to Date/Toal LMI Trained to Date 5

CDBG CONTRACT #: 3

Total Positions to Date / Total LMI Hires to Date: 6

Payroll Verified by: 7 Date: 8

POSITION NUMBER/TITLE EMPLOYEE NAME	HIRE STATUS*	DATE HIRED	DATE TERMINATED	FT / PT	FTE	P / S	RATE OF PAY	LOW/MOD INCOME?	**E.C.	***R.C.	M	F	H	FHH
<u>9</u>	<u>10</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>15</u>	<u>16</u>	<u>1</u>	<u>18</u>	<u>19</u>	<u>2</u>	<u>2</u>	<u>22</u>	<u>23</u>

KEY

*Hire Status

NHT - New Hire Trainee
NH = New Hire
R = Retained

***R.C. - Racial Category:

1. American Indian or Alaska Native
2. Asian
3. Black or African American
4. Native Hawaiian or Other Pacific Islander
5. White
6. American Indian or Alaska Native and White
7. Asian and White
8. Black or African American and White
9. American Indian or Alaska Native and Black or African American
10. Other Multi-Racial Reported

**E.C. - Ethnic Category

Y - Hispanic or Latino
N - Not Hispanic or Latino

FT / PT = Full-time --or--
Part-time (< 40 hrs/wk)

FTE = Full Time Equivalent - Part-time jobs must be
converted to full-time equivalents

P / S = Permanent --or-- Seasonal

M = Male

F = Female

H = Handicapped

FHH = Female Head of Household

NOTE: A full-size version of this form is available from the DOC, either a paper copy or as an Microsoft EXCEL file

EXHIBIT 8-G1

SAMPLE HIRING AND TRAINING PLAN

In consideration of the financial assistance provided by (Name of Local Government) and the Community Development Block Grant – Economic Development (CDBG-ED) Program through the Revolving Loan Fund (RLF) administered by the (Name of Local Development Organization), (Name of Business) (“business”) agrees to participate in a hiring and training plan that is an integral part of the Loan Agreement. The business will be responsible for implementing the plan, and will be assisted by the Montana Job Service and (Name of Local Development Organization).

1. **LOW AND MODERATE INCOME BENEFIT:** As a result of the loan assistance provided by the Montana CDBG-ED Program, the business will create (Number) full-time equivalent jobs by the end of the second year of operation. The business will make all job openings available to low and moderate-income persons, and will use the most recent low and moderate-income guidelines provided by the Montana Department of Commerce to determine eligibility for this status. The business will hire at least (Number) low and moderate-income persons during the two-year duration of the project.
2. **OVERALL EMPLOYMENT:** The business's place of operation will be located (Location), and operations at that facility will employ a total of (Number) by the end of the second year of operation.
3. **HIRING AND TRAINING PRACTICES:** A personnel coordinating committee will be formed that will include representatives from the Montana Job Service and (Name of Local Development Organization). The committee will assess training needs, develop application and referral procedures, and ensure that hiring practices conform to requirements of Title VI of the Civil Rights Act of 1964, Section 109 of the Housing and Community Development Act of 1974, the Age Discrimination Act of 1974, and the Americans with Disabilities Act.

The committee will establish coordination of services that benefit low and moderate-income persons including necessary skills, training, employment counseling, job retention skills, and supportive services when appropriate through linkages with job programs operated by Montana Job Service and (Other Resources).

In all of its hiring practices, the company will abide by the provisions of Title VI of the Civil Rights Act of 1964, which states that no person may, on the grounds, of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

The company will also comply with Section 109 of the Housing and Community Development Act of 1974, which states that:

No persons in the U.S. may, on the grounds of race, color, national origin, or sex be excluded from participation in, be denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under this title. Any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1974 or with respect to an otherwise qualified handicapped individual as provided in Section 504 of the Rehabilitation Act of 1973 will also apply to such program or activity.

This Hiring and Training Plan contains the following exhibits:

Attachment A – List of jobs to be created or retained, including the percentage of full-time, skilled, semiskilled, or unskilled, job titles, rates of compensation;

Attachment B – Timetable for creating the jobs, total number of persons to be hired including number of LMI to be hired;

Attachment C – Procedures for outreach, recruitment, screening, selection, training and placement of workers - particularly LMI workers; and description of training curriculum and resources.

4. **REPORTS AND RECORD KEEPING:** (Name of Business) will ask each new employee to complete a household questionnaire form, so that the designated representatives of the (Name of Local Government) can determine the low and moderate-income status of the company's employees prior to the date of hire. Employees will be given race and ethnicity categories form to complete for data collection to be reported to the CDBG-ED program and HUD. In addition to this documentation, the Montana Job Service will maintain an applicant pool for the company, with special codes assigned to applicants interested in working at the company. Before referral to the company, all applicants will be screened for income eligibility for job training assistance, tax credit incentives, and CDBG-ED low and moderate-income status. The company will provide a list of its employees to the (Local Government)'s designated representative no less than every three (3) months during the two-year duration of the project.
5. **ACCEPTANCE:** (Name of Business) hereby agrees to abide by the hiring and training provisions described herein.

Name of Business Owner
Name of Business

Chief Elected Official
Name of Local Government

Date

Date

Local Development Organization Director
Name of Local Development Organization

Date

Attachment A - Example

(Company Name)

(Address)

(Phone Number)

EXAMPLE

<u>JOB TITLE</u>	<u># OF POS.</u>	<u>JOB DESCRIPTION</u>	<u>POS. #</u>	<u>PROJECTED WORK TIME</u>	<u>FTE</u>	<u>PROJ. COMPEN.</u>
1. Toolpusher	1	Oil & Gas Drilling Rig	001	1600 Hrs/Yr	0.75	\$21.50/Hr
2. Driller	6	Oil & Gas Drilling Rig	002-007	1600 Hrs/Yr	0.75	\$21.10/Hr
3. Floor Hand 1	6	Oil & Gas Drilling Rig	008-013	1600 Hrs/Yr	0.75	\$19.00/Hr
4. Floor Hand 2	6	Oil & Gas Drilling Rig	014-019	1600 Hrs/Yr	0.75	\$18.50/Hr
5. Bookkeeper	1	Basic Accounting	020	2080 Hrs/Yr	1.0	\$17.50/Hr
6. Data Entry Clerk	1	Computer Data Input	021	2080 Hrs/Yr	1.0	\$16.50/Hr
7. Land Secretary	1	Oil & Gas Records	022	2080 Hrs/Yr	1.0	\$17.50/Hr
8. Receptionist/Sec.	1	General Secretarial	023	2080 Hrs/Yr	1.0	\$16.00/Hr
9. Revenue Accountant	1	Gas Revenue Accounting	024	2080 Hrs/Yr	1.0	\$18.50/Hr
10. Skilled Labor	2	Assembling Air Compressors	025-026	2080 Hrs/Yr	1.0	\$18.25/Hr
11. Welder	1	General Equipment Maintenance & Fabricator	027	2080 Hrs/Yr	1.0	\$22.00/Hr
12. Truck Driver	1	Moving Oil Field Equipment & Driving Water Truck	028	1600 Hrs/Yr	0.75	\$18.00/Hr
Total FTE					<u>23</u>	

Positions will be paid every two weeks.

Position 001: Oil field drilling and management experience necessary.
 Position 002: Oil field drilling experience preferred.
 Position 003 - 019: Oil field experience preferred.
 Position 020: Some accounting experience preferred.
 Position 021: Computer experience necessary
 Position 022: Secretarial and computer skills necessary. Knowledge of land descriptions advantageous.
 Position 023: Secretarial and computer skills necessary.
 Position 024: Accounting experience needed.
 Position 025-026: Mechanical experience necessary.
 Position 027: Two years welding experience or Technical Training necessary.
 Position 028: Current commercial driver's license and Department of Transportation physical required.

Attachment B

Timetable for Hiring and Training

Attachment C

Description of Outreach and Recruitment Description of Training and Curriculum

EXHIBIT 8-G2

SAMPLE HIRING AND TRAINING PLAN FOR CUSTOMIZED EMPLOYEE TRAINING

In consideration of the financial assistance provided by (Name of Local Government) 's Community Development Block Grant – Economic Development (CDBG-ED) Program through the grant administered by the (Name of Local Development Organization) agree to participate in a hiring and training plan that is an integral part of the grant agreement. The (Name of Business) will be responsible for implementing the plan, and will be assisted by the Montana Job Service and (Name of Local Development Organization).

1. **LOW AND MODERATE INCOME BENEFIT:** As a result of the **grant assistance** provided by the Montana CDBG-ED Program, (Name of Business) will create (Number) full-time equivalent (FTE) jobs by the end of the second year of operation. The company will make a minimum of (Number) FTE job openings available to low and moderate-income persons, and will use the most recent low and moderate-income guidelines provided by the Montana Department of Commerce to determine eligibility for this status. To ensure that the jobs created are made available to low and moderate income households, the company will use the Montana Job Service for referrals.
2. **OVERALL EMPLOYMENT:** (Name of Business) is located at (Address), and will employ a total of (Number) persons through its operations by the end of the second year of operation. The job breakdown is estimated to be: (List job titles and number of positions).
3. **HIRING PRACTICES:** (Description of training provided).
4. **TRAINING PRACTICES:** (Name of Business) will hire and train employees to: (Description of duties to result from training).
5. **REIMBURSEMENT FOR TRAINING ACTIVITIES:** (Name of Business) will pay trainees (\$Amount) per hour during the training and probationary periods. The company has determined that it will take (Number) hours to complete the initial training program and an additional (Number) hours to complete the probationary period. The total cost of training one (1) employee is (\$Amount) for (Number) hours at (\$Amount) per hour). Once the trainee has satisfactorily completed the training and probationary periods, (Name of Company) agrees to pay the trained employee (\$Amount) per hour.

The County agrees to reimburse (Name of Business) (Amount) for each full time equivalent (FTE), up to (Number) FTEs, not to exceed (\$Amount), that have successfully completed the training program and probationary period and are receiving the minimum hourly rate of (\$Minimum MDOC Wage). An FTE is defined as an employee, or combination of employees, that works 2,080 hours per year or 40 hours per week.

6. **COMPLIANCE WITH EQUAL OPPORTUNITY AND NONDISCRIMINATION LAWS:** In all of its hiring practices, (Name of Company) will abide by the provisions of Title VI of the Civil Rights Act of 1964, which states that no person may, on the grounds, of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

(Name of Company) will also comply with Section 109 of the Housing and Community Development Act of 1974, which states that:

No persons in the U.S. may, on the grounds of race, color, national origin, or sex be excluded from participation in, be denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under this title. Any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1974 or with respect to an otherwise qualified handicapped individual as provided in Section 504 of the Rehabilitation Act of 1973 will also apply to such program or activity.

7. **REPORTS AND RECORD KEEPING:** (Name of Company) will ask each applicant to complete a household questionnaire form, so that the designated representatives of the (Name of Local Government), (Local Development Organization), can determine the low and moderate-income status of the company's potential employees prior to the date of hire. In addition to this documentation, the Montana Job Service will maintain an applicant pool for the company, with special codes assigned to applicants interested in working at the company. Before referral to the company, all applicants will be screened for income eligibility for job training assistance, tax credit incentives, and CDBG-ED low and moderate -income status. The company will provide a list of its employees to the (Local Development Corporation) no less than every three (3) months during the two-year duration of the project. The report must document that higher wages, at least \$Minimum MDOC Wages were paid to each employee after completion of the training program and probationary period.
8. (Name of Business) agrees that in the event it ceases operation in (Name of Local Government) within the first two years—the Montana Department of Commerce (MDOC) contract period—the company will reimburse the (Name of Local Government) for the full amount of the MDOC labor training grant funds it has received.
9. **ACCEPTANCE:** (Name of Business) hereby agrees to abide by the hiring and training provisions described herein.

Business Owner
Name of Business

Date

Chief Elected Official
Name of Local Government

Date

Director
Local Development Organization

Date

EXHIBIT 8-H ENVIRONMENTAL REVIEW PROCEDURES

NEW REQUEST FOR RELEASE OF FUNDS AND CERTIFICATION-FORM 7015.15

HUD Form 7015.15 (Request for Release of Funds and Certification) has been revised. All Responsible Entities (RE) should use the new form when preparing a Request for Release of Funds and Certification (RROF). The request form is on pages 8-H.3 and 8-H.

Environmental Review Procedures in 24 CFR Part 58.34(a)(1-12) allow the draw down of CDBG funds without completing a Request for Release of Funds (RROF) *if an activity is "Exempt"* and the determination is in writing.

- ❑ When an activity is *"Categorically Excluded"* and completion of the *Statutory Checklist* indicates *no circumstances* that require compliance with any of the Federal laws and authorities cited in Part 58.5, it can be converted to exempt status as allowed in Part 58.34(a)(12). *No public notice or RROF is necessary.*
- ❑ When an activity is *"Categorically Excluded,"* and completion of the *Statutory Checklist* indicates compliance with a Federal law or authority cited in Part 58.5 is required, a *Notice of Intent to Request Release of Funds (NOI/RROF)* must be published and a RROF submitted to the MDOC.
- ❑ If an activity is *neither "Exempt" nor "Categorically Excluded,"* a full Environmental Assessment must be completed and a Finding of No Significant Impact (FONSI) and NOI/RROF published prior to submitting a RROF to the MDOC for processing.

Information regarding completion of the new RROF is as follows:

Part 1:

Block 1 - Program Title(s): Identify the program for which funds are being requested for release. (CDBG ED Program, CDBG Public Facility, etc.)

Block 2-HUD/State Identification Number: Each CDBG Program grant has an individual identification number. For example, a CDBG-ED Program with a grant number of MT-CDBG-11ED-01 would identify certain information regarding the program: CDBG-indicates the CDBG program: 11-Program Year: ED-Economic Development Program: 01-the first grant within the program year.

Block 3-Recipient Identification: This number has no meaning to the state and may be left blank if the RE or recipient chooses. Some entities use an identification number for accounting or other purposes.

Block 4-OMB Catalogue No(s): The Office of Management and Budget issues an annual catalogue of Federal Domestic Assistance Programs with a codified number for each. For example, the Community Development Block Grant Program number is 14.228 and the Emergency Shelter Grant Program is 14.231.

Block 5-Name and Address of Responsible Entity: Self-explanatory.

Block 6-For Information About This Request Contact: Identify the name and telephone number of the person the MDOC can contact if additional information or clarification is necessary.

Block 7-Name and Address of Recipient (if different from responsible entity: If the recipient of the CDBG funds is not the RE, the name and address of the recipient should be identified.

Block 8-HUD or State Agency & Office Unit to Receive Request: For the **CDBG ED Program**, the RROF, along with proof of publication should be addressed to:

Montana Department of Commerce
Business Resources Division
Community Development Block Grant Program
301 South Park Ave.
P.O. Box 200505
Helena, MT 59620-0505

Block 9-Program Activity/Project Name: The project name or activity should be identified.

Block 10-Location: Identify the location of the activity. For activities such as water/sewer lines and street paving the streets and boundaries should be identified.

Block 11-Program Activity/Project Description: This block should describe the activity/project.

Part 2: Environmental Certification:

Number 5: Be sure and check one of the boxes to certify the project did or did not require an Environmental Impact Statement.

Number 7: The RROF must be signed and dated by the certifying official of the RE. The title and address of the certifying official should be included. Normally the Mayor, City Manager, Chairperson of the county commission or county administrator is the certifying official. If it is someone else, a resolution by the county commission or city council authorizing that person to sign the RROF should be provided when submitting a RROF.

Part 3:

This section should be completed only if the recipient of CDBG assistance is not the RE. The RE is the unit of general local government within which the project is located that exercises land use responsibility. A RE is not always the recipient of CDBG assistance but is responsible for completing the environmental review and RROF.

Request for Release of Funds and Certification

U.S. Department of Housing
and Urban Development
Office of Community Planning
and Development

OMB No. 2506-0087
(exp. 3/31/2011)

This form is to be used by Responsible Entities and Recipients (as defined in 24 CFR 58.2) when requesting the release of funds, and requesting the authority to use such funds, for HUD programs identified by statutes that provide for the assumption of the environmental review responsibility by units of general local government and States. Public reporting burden for this collection of information is estimated to average 36 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

Part I. Program Description and Request for Release of Funds (to be completed by the Responsible Entity)

1. Program Title(s):	2. HUD/State Identification Number:	3. Recipient Identification Number: (optional)
4. OMB Catalog No(s):	5. Name & Address of Responsible Entity:	
6. For information about this request, Contact:	7. Name & Address of Recipient: (if different from responsible entity)	
8. HUD or State Agency & Office Unit to Receive Request:		

The recipient(s) of assistance under the program(s) listed above requests the release of funds and removal of environmental grant conditions governing the use of assistance for the following:

9. Program Activity/Project Name:	10. Location: (street, address, city, county, & state)
11. Program Activity/Project Description:	

Part 2. Environmental Certification (to be completed by responsible entity)

With reference to the above Program Activity(ies)/Project(s), I, the undersigned officer of the responsible entity, certify that:

1. The responsible entity has fully carried out its responsibilities for environmental review, decision-making and action pertaining to the project(s) named above.
2. The responsible entity has assumed responsibility for and complied with and will continue to comply with, the National Environmental Policy Act of 1969, as amended, and the environmental procedures, permit requirements and statutory obligations of the laws cited in 24 CFR 58.5; and also agrees to comply with the authorities in 24 CFR 58.6 and applicable State and local laws.
3. After considering the type and degree of environmental effects identified by the environmental review completed for the proposed project described in Part 1 of this request, I have found that the proposal ☐ did ☐ did not require the preparation and dissemination of an environmental impact statement.
4. The responsible entity has disseminated and/or published in the manner prescribed by 24 CFR 58.43 and 58.55 a notice to the public in accordance with 24 CFR 58.70 and as evidenced by the attached copy (copies) or evidence of posting and mailing procedure.
5. The dates for all statutory and regulatory time periods for review, comment or other action are in compliance with procedures and requirements of 24 CFR Part 58.
6. In accordance with 24 CFR 58.71(b), the responsible entity will advise the recipient (if different from the responsible entity) of any special environmental conditions that must be adhered to in carrying out the project.

As the duly designated certifying official of the responsible entity, I also certify that:

7. I am authorized to and do consent to assume the status of Federal official under the National Environmental Policy Act of 1969 and each provision of law designated in the 24 CFR 58.5 list of NEPA-related authorities insofar as the provisions of these laws apply to the HUD responsibilities for environmental review, decision-making and action that have been assumed by the responsible entity.
8. I am authorized to and do accept, on behalf of the recipient personally, the jurisdiction of the Federal courts for the enforcement of all these responsibilities, in my capacity as certifying officer of the responsible entity.

Signature of Certifying Officer of the Responsible Entity:	Title of Certifying Officer:
	Date Signed:

X

Address of Certifying Officer

Part 3. To be completed when the Recipient is not the Responsible Entity

The recipient agrees to abide by the special conditions, procedures and requirements of the environmental review and to advise the responsible entity of any proposed change in the scope of the project or any change in the environmental conditions in accordance with 24 CFR 58.71(b).

Signature of Authorized Officer of the Recipient:	Title of Authorized Officer:
	Date Signed:

X

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties (18 USC 101, 1010, 1012; 31 USC 3729, 3802).

form HUD-7015.15 (1/99)

FINDING OF CATEGORICAL EXCLUSION UNDER 24 CFR 58.35(b)(4)

(SAMPLE - To be Completed on Local Government Letterhead. Exclude footnote .)

Date

(Name of CDBG Program Officer)

Montana Department of Commerce
Economic Development Division
Community Development Block Grant Program
P.O. Box 200505
Helena, MT 59620-0505

Dear (CDBG Program Officer):

On (Date) the (name of community) received notice from the Montana Department of Commerce that the application for an economic project under the Montana Community Development Block Grant (CDBG) Program has been tentatively approved. Pursuant to this notification, it is the finding of (name of community) that the following activities approved for funding under the State administered CDBG Program are defined as categorically excluded under 24 CFR Part 58.35. Furthermore, after completing the Statutory Checklist, it is the finding of (name of community), that the activities listed below are **not** subject to 24 CFR 58.5 and are categorically excluded under 24 CFR 58.35(b)(4)¹:

(Describe All Project Activities Here)

Sincerely,

Signature of Chief Elected Official

¹ §58.35(b) *Categorical exclusions not subject to Sec. 58.5.* The Department has determined that the following categorically excluded activities would not alter any conditions that would require a review or compliance determination under the Federal laws and authorities cited in Sec. 58.5. When the following kinds of activities are undertaken, the responsible entity does not have to publish a NOI/RROF or execute a certification and the recipient does not have to submit a RROF to HUD (or the State) except in the circumstances described in paragraph (c) of this section. Following the award of the assistance, no further approval from HUD or the State will be needed with respect to environmental requirements, except where paragraph (c) of this section applies. The recipient remains responsible for carrying out any applicable requirements under Sec. 58.6.

(4) *Economic development activities, including but not limited to, equipment purchase, inventory financing, interest subsidy, operating expenses and similar costs **not** associated with construction or expansion of existing operations;*

FINDING OF CATEGORICAL EXCLUSION UNDER 24 CFR 58.35(a)

(Sample - To Be Completed on Local Government Letterhead)

(Date)

(Name of CDBG Program Officer)

Montana Department of Commerce
Local Government Assistance Division
1424 9th Avenue
P.O. Box 200501
Helena, MT 59620-0501

Dear *(Name of CDBG Program Officer)*:

It is the finding of the *(Name of Grantee: City, Town or County of)* Montana, that the following activities approved for funding under the Montana CDBG program are defined as categorically excluded under 24 Part 58.35 of the Environmental Review Procedures for Title I Community Development Block Grant Programs, and that these activities are in compliance with the environmental requirements of related federal authorities. The activities and the statutory authority for exclusion are listed below:

List applicable activities, descriptions, and authority. For example:

1. *Expansion of XYZ Nursing Home, located at 123 First Avenue, Sunrise, Montana*

Authority -- Section 58.35(a)(3)(ii):

*Rehabilitation of buildings when the following conditions are met . . . In the case of non-residential structures, including commercial, industrial, and public buildings: (A) The facilities and improvements are in place and will not be changed in size or capacity by more than 20 percent; **and** (B) the activity does not involve a change in land use . . .*

Compliance with the environmental requirements of other federal authorities is indicated on the attached Statutory Checklist.

Sincerely,

*(Signature of Environmental Certifying Official
or Chief Elected Official)*

ENVIRONMENTAL REVIEW FLOWCHART 24 CFR PART 58

8-H.7

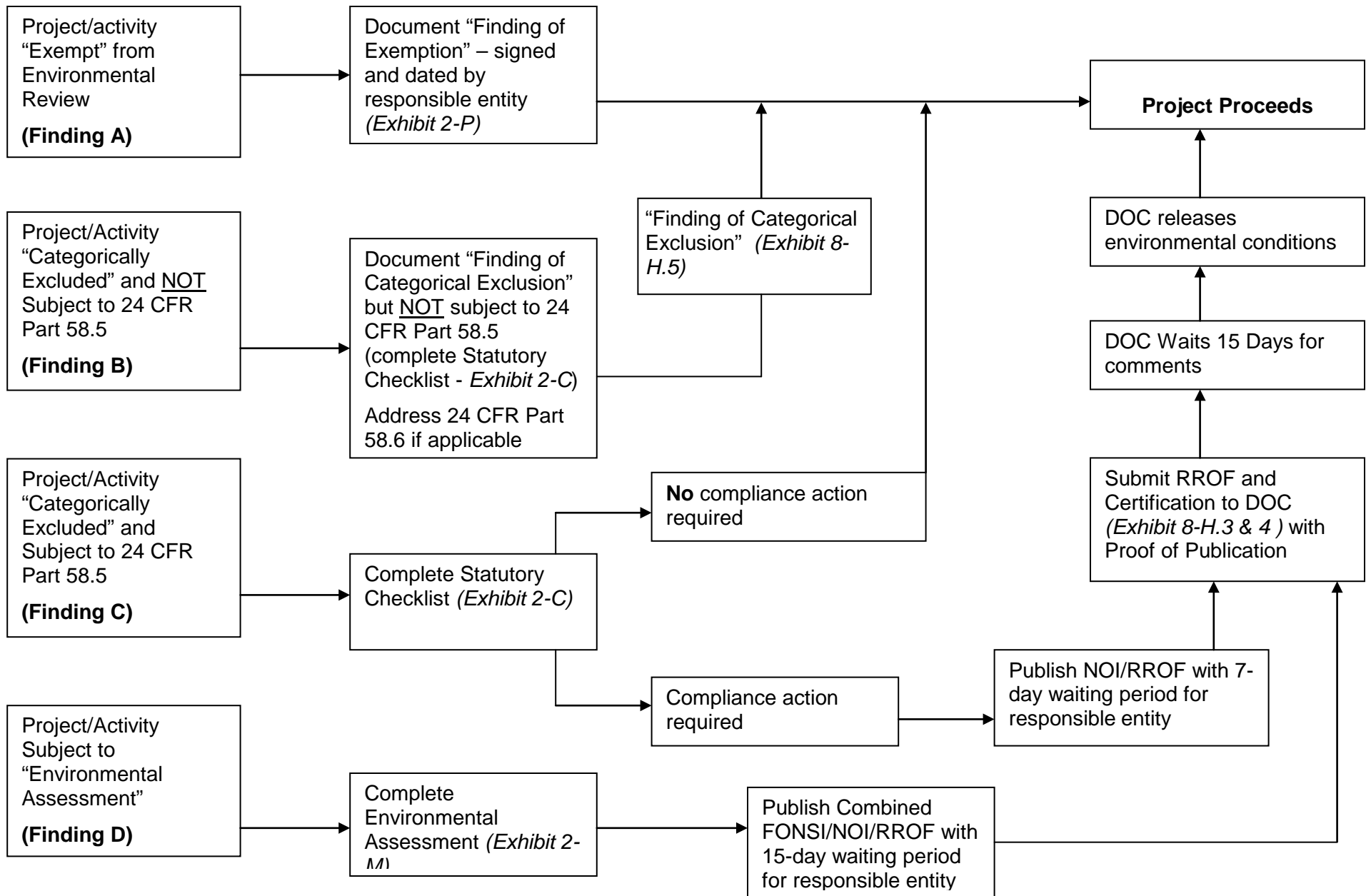


EXHIBIT 8-I LOAN PORTFOLIO DATA (LPD) FORM

Attached for your use is a copy of the CDBG-ED "Loan Portfolio Data" Form. The U.S. Department of Housing and Urban Development (HUD) requires the Montana Department of Commerce (MDOC) to track CDBG-ED assisted businesses. Due to imminent changes in the CDBG-ED program mandated by HUD, the MDOC needs to track primary and secondary loan activities generated from the above awards, in order to report program performance measurements for the CDBG-ED program. This information also enables the Department to better provide technical assistance to local governments and local development organizations with their community development objectives.

Revolving Loan Fund managers must submit the LPD form, or its equivalent, for CDBG-ED loan information on an annual basis. **The reports are due no later than January 31 for the period ending December 31.**

You may make copies of the enclosed forms for future LPD reporting. Please submit a completed form, or its equivalent, for each CDBG-ED primary and secondary loan. Send the form(s) to:

Debra Demarais
CDBG-ED Program
Business Resources Division
Montana Department of Commerce
P.O. Box 200505
Helena, MT 59620-0505

Please call (406) 841-2736 for additional information or assistance.

**MONTANA COMMUNITY DEVELOPMENT BLOCK GRANT
ECONOMIC DEVELOPMENT (CDBG-ED) LOAN PROGRAM
PRIMARY LOAN PORTFOLIO DATA**

Please copy sheets as needed for reporting each primary loan.

Report as of: _____ Contract Number: _____

Grantee (Local Government): _____

Business Name: _____

Business Location: _____

Business Contact: _____ Phone _____

Business Address: _____

Prepared by: _____ Phone _____

BALANCE OF AVAILABLE FUNDS IN RLF \$ _____

Interest Income Earned on RLF \$ _____

1) CDBG-ED Loan Information:

Original Date of Loan: _____

Total Loan Amount (CDBG-ED ONLY) \$ _____

Monthly Payment Amount: \$ _____

Total Payments to Date: \$ _____

(Cumulative Interest Payments: \$ _____)

(Cumulative Principal Payments: \$ _____)

Remaining Repayment Amount: \$ _____

Interest Rate: _____ %

Loan Term: _____ Years

Remaining Term: _____ Years

Security: _____

2) Current on Loan Payments? Yes____ or No____

If not current, explain:

3) If Bankrupt, Total Recapture Amount: \$ _____

4) Jobs: # Created: _____ # Retained: _____

LMI Created: _____ # LMI Retained: _____

5) Further Leverage/Spin-off Activities, directly related to this project, if known:

6) Any Secondary Loan Activity to Date? Yes____ or No____ (If yes, fill out next page.)

SECONDARY LOAN ACTIVITY

This form may be used to report secondary loan activity.
For multiple source RLF's, a roll-up of loan activity is acceptable.

LOAN # _____

Original Local Government Grantee: _____

Primary Loan Contract Number: _____

Primary Loan Business Name: _____

Secondary Loan Business Name: _____

Secondary Business Address: _____

Purpose of Loan: _____

CDBG-ED Eligible Activity? Yes___ or No___ (See CDBG-ED Program Brochure)

1) CDBG-ED Loan Information:

Date of Secondary Loan: _____ Total Loan Amount: \$_____

Monthly Payment Amount: \$_____ Total Payments to Date: \$_____

(Cumulative Interest Payments: \$_____)

(Cumulative Principal Payments: \$_____)

Remaining Repayment Amount: \$_____

(Optional) Interest Rate: _____ % Loan Term: _____ Years

Term remaining on loan: _____ Years

(Optional) Security: _____

2) Current on Loan Payments? Yes___ or No___

3) Jobs : # Created: _____ # Retained: _____ #LMI _____

Jobs are a HUD priority item and needs to be documented.

Comments:

LOAN PORTFOLIO DATA FORM INSTRUCTIONS

Report as of: (December 31 of each year) Contract # (primary loan contract #)

Grantee: (Grantee and Administering Entity, if applicable)

Business Name: (Name of the business assisted)

Business Location: (Town or city business is located in)

Business Contact: (Name of contact person for the business) Phone (their phone #)

Business Address: (Self-explanatory)

Prepared by: (Name of person & name of organization preparing this form) Phone (their phone #)

1) CDBG-ED Loan Information:

Original Date of Loan: (Contract award date)

Total CDBG Loan Amount: \$ (Original loan amount)

Monthly Payment Amount: \$ (Self-explanatory)

Total Payments to Date: \$ (Total dollar amount of payments made by the business, to date)

(Cumulative Interest Payments: \$ (Total dollar amount of interest payments made by the business, to date).)

(Cumulative Principal Payments: \$ (Total dollar amount of principal payments made by the business, to date).)

Interest Income Earned: \$ (Total amount of interest earned by the locality or administering entity on loan repayments deposited into an interest earning account).

Remaining Repayment Amount: \$ (Self-explanatory)

Interest Rate: (per the loan agreement) %

Loan Term: (per the loan agreement) Years

Remaining Term: (per the loan agreement) Years

Security: (Brief description of loan security)

2) Current on Loan Payments? Yes ☐ or No ☐ (Check "Yes" or "No")

If not current, explain: *(If the loan is not current, explain the circumstances, number of delinquent payments, and corrective actions being taken)*

3) If Bankruptcy, Total Recapture Amount?: \$ (Self-explanatory)

4) Jobs/Hiring Status: (Provide a brief description of the status of the jobs created or retained)

5) Further Leverage/Spin-off Activities, directly related to this project, if known: (Provide a brief description of any known Leverage/Spin-off Activities, directly related to this project)

6) Any Secondary Loan Activity to Date? Yes ☐ or No ☐ (Check "Yes" if any secondary relending of funds has occurred and fill out information on Secondary Loan Activity – 8.1.3.)

EXHIBIT 8-J

ADOPTED MDOC PROCUREMENT POLICY

After announcing and holding a public hearing on April 16, 1998 and receiving written testimony on a new, proposed procurement policy, MDOC adopted a policy that grant administration services (consulting services) for CDBG, HOME (excluding Community Housing Development Organizations) and TSEP grants be procured using the following procedures:

1. Requests for Proposals (RFPs) are required for any services over \$100,000 and are recommended for procurement under \$100,000 that are complex and/or where qualifications and desired work products cannot easily be handled by telephone rate quotations. Additional guidelines on the use of RFPs for HUD funded projects can be found in HUD Notice CPD-96-05, available from MDOC.
2. HUD "small purchase" procedures can be used where the procurement will not cost more than \$100,000 in the aggregate, and where the procurement is relatively simple and a selection decision can be made based on three to five rate and work plan quotations from qualified sources. The grantee should record the rate or quote along with other identifying information (name, address, and phone) and document the questions asked. If the selection is made using small purchase procedures, the grantee should also contact the Montana Department of Transportation (MDOT) to obtain a list of Minority Business Enterprises/Disadvantaged Business Enterprises (MBE/DBE) certified firms within the region that appear in MDOT's directory in order to invite proposals from qualified MBE/DBE firms.
3. If a local government's procurement policy is more restrictive than MDOC procedures, the local government's policy will govern the procurement procedures to be followed.
4. Based upon additional guidance from HUD, these MDOC procurement requirements would not apply to the formation of long-term partnerships between a local government and a for-profit or non-profit partner when the partnership has a current legal relationship (signed contract), the partner is managing the grant funds, the local government does not have the staffing capability to manage the grant, and the relationship will continue indefinitely following project closeout.

A "long-term relationship" exists where services to be provided are an integral component of the project or activity and are essential to or necessary for the long-term operation of the facility after closeout. This long-term relationship must be clearly spelled out in the proposed management plan submitted as part of the grant application. The key principle is that the for-profit or non-profit entity must have a pre-established, long-term integral role in the continued operation or management of the facility or activity after project closeout. The non-profit or for-profit must be accountable to the recipient of the grant for the use of funds provided.

A "partnership" is viewed by the state as a long-term, mutually beneficial relationship as determined by the local government. The partnership agreement must be in place before submission of the grant application to MDOC. A partnership would include relationships that will continue indefinitely following formal project closeout. Examples of "long-term partnerships" would include:

- Relationships where a non-profit or for-profit entity, on behalf of a local government, initially administers a CDBG or HOME project and also manages the revolving loan fund (RLF) or program income fund resulting from loan repayments generated by the project.
- For a CDBG economic development RLF capacity-building project, a local government or group of local governments have agreed through a contractual relationship to build capacity in the nonprofit entity over the long-term.
- A local housing authority administers a low income housing project for the long-term, or a non-profit entity owns and operates an affordable housing project. Termination of the relationship would depend upon the terms and conditions of the contract between the local governing body and the non-profit or for-profit entity.
- A Human Resources Development Council (HRDC) proposes to construct and operate a Head-Start center on behalf of a Montana county. In this case, MDOC would not require the recipient county to go through a procurement process for grant administration services. The county commissioners would have the discretion to have the HRDC provide CDBG or HOME grant administration services without a competitive grant procurement process. A for-profit or non-profit entity is established as the management consultant for the long-term management of an economic development revolving loan fund. This would be permitted only in those cases where there is a clear, long-term relationship and intent to manage the revolving loan fund indefinitely into the future.
- A local government applying on behalf of a non-profit entity which proposes to construct, own, and operate an affordable housing project or public facilities project. In this case, the county or city would have the option of not requiring a competitive procurement process for grant administration services if those services would be provided by the non-profit organization that would own and manage the affordable housing or public facility project into the future.

A long-term partnership arrangement would not include contractor relationships where the for-profit or non-profit entity is paid by the grantee solely for project administrative services, over the project contract period, or until formal project close-out by MDOC, and payment is made as regular compensation for services rendered during the term of the contract.

EXHIBIT L1
SAMPLE SUB-RECIPIENT AGREEMENT
(For revolving loan fund projects)

THIS AGREEMENT is entered into this ____ day of ____, 20__, by (name of City, Town or County), herein referred to as the (“City”, “Town” or “County”) and (name of Local Development Organization), a nonprofit economic development corporation herein referred to as the “Sub-recipient.”

WITNESSETH THAT:

WHEREAS, (name of City, Town or County) is the recipient of a Community Development Block Grant – Economic Development (CDBG-ED) Program by the Montana Department of Commerce, herein referred to as “the Department,” and

WHEREAS, the purpose of the grant is to (establish a revolving loan fund – and/or – describe other activities) for the residents of (name of City, Town, County or region), and

WHEREAS, the (City/Town/County), desires to subgrant the CDBG-ED funds to the Sub-recipient and engage the Sub-recipient to administer the (revolving loan fund –and/or-- describe other activities) on the (City/Town/County)'s behalf, and

WHEREAS, the Department has required the (City/Town/County) to enter into a Sub-recipient agreement with the Sub-recipient specifying the terms and conditions of the (City/Town/County)'s delegation of certain CDBG-ED responsibilities to the Sub-recipient, and

WHEREAS, (name of Local Development Organization) is qualified as a (local development corporation or a nonprofit organization serving the development needs of the communities of nonentitlement areas) as defined by §105(a)(15) of Title I of the Housing and Community Development Act (the “Act”), and

WHEREAS, loan repayments made back to a qualified nonprofit entity defined by §105(a)(15) of the Act are considered miscellaneous revenue and would not be subject to federal program income requirements, except as mutually agreed to by the Sub-recipient, the (City/Town/County), and the Department, and

WHEREAS, the parties to this Agreement understand that neither of them has in any way, expressly or impliedly, abrogated any of its individual powers, and further agree that this Agreement does not create any new organization or legal entity.

NOW, THEREFORE, in consideration of the mutual covenants and conditions set out in this Agreement, the parties agree as follows:

A. SPECIAL PROVISIONS. The (City/Town/County) agrees, under the terms and conditions of this Agreement, to sub-grant CDBG-ED grant funds as a loan for gap financing and technical assistance to the Sub-recipient.

B. INDEPENDENT SUB-RECIPIENT. It is understood by the parties hereto that the Sub-recipient is an independent Sub-recipient and that neither its principals nor its employees, if any, are employees of the (City/Town/County) for purposes of tax, retirement system, or social security (FICA) withholding. It is further understood that pursuant to section 39-71-401, MCA, the Sub-recipient has obtained, and will maintain at its expense for the duration of this Contract, coverage in a workers' compensation plan for its principals and employees for the services to be performed hereunder.

C. COMPENSATION. The Sub-recipient will retain all program income including principal and interest as the result of this grant award. These funds will be used to enhance a Revolving Loan Fund for the benefit of all eligible businesses located within the (City, Town, County or region). A portion of the interest income (XX%), not to exceed (\$XX,XXX) per year, may be used to cover the administrative costs of managing the fund. The Sub-recipient will be responsible for administration, management, and recording of fund income.

Neither the cost of architectural, engineering, or grant administrative services plus a percentage of that cost method nor the percentage of construction cost method will serve as the basis for compensating the sub-recipient for its services provided under this Contract.

For the satisfactory completion of the services to be provided under this Contract, the (City/Town/County) will pay the Sub-recipient a sum not to exceed \$_____ as in the manner set forth in the attached Exhibit _____, which by this reference is made a part of this contract. Each specific service the Sub-recipient will provide under this contract, and the maximum amount that the (City/Town/County) will pay the Sub-recipient for each of these services, is set forth in the attached Exhibit _____.

The amount to be paid will be calculated according to the hourly billing rates for the various personnel as described in Exhibit _____. The Sub-recipient may submit monthly requests for payment, based on actual work performed, which must be accompanied by an itemized invoice describing the services furnished, the number of hours worked to accomplish each item, the amount being billed for each item, a description of any other eligible expenses incurred during the billing period, and the total amount being billed.

D. SCOPE OF SERVICES. The Sub-recipient will perform the following services: (Here, or in an exhibit to the contract, explicitly and completely list the services and products the grant recipient expects of the Sub-recipient, including the timetable for completion of key tasks. Consult with your CDBG-ED liaison as to the specific services, which may be appropriate for each grant category.)

It is understood and agreed by the parties that the services of the Sub-recipient do not

include any of the following: the disbursement or accounting of funds distributed by the (City/Town/County)'s financial officer, legal advice, fiscal audits or assistance with activities not related to the CDBG-ED project.

1. The Sub-recipient will be responsible for all facets of the CDBG-ED gap financing and technical assistance program as described in the Management Plan for the CDBG-ED project. The Sub-recipient will also be responsible for all aspects of the local RLF program, including the following:

- a) Developing Policies and Procedures as they relate to the loan program and/or administering the local CDBG-ED grant program and the local RLF program.
- b) Conducting the local loan application process, including but not limited to:
 - (1) Application documentation;
 - (2) Environmental Review;
 - (3) Credit Analysis;
 - (4) Loan package development; and
 - (5) Collaboration with other funding sources as may be necessary to provide complete financing

2. During the term of this Agreement, the Sub-recipient will maintain reasonable records of its performance under this Agreement in a manner consistent with generally accepted accounting principles. The Sub-recipient will allow the (City/Town/County)'s authorized representatives access to these records at anytime during normal business hours. At the request of the (City/Town/County), the Sub-recipient will submit to the (City/Town/County), in the format prescribed by the (City/Town/County), status reports on its performance under this agreement.

3. The Sub-recipient will comply with the Revolving Loan Fund Plan as approved by the (City/Town/County) and the Montana Department of Commerce and attached to this Agreement as (Exhibit "X"). If the Sub-recipient ceases to exist or an Event of Default occurs, all program income relating to this grant, including funds on hand and accounts or notes receivable, will revert to the (City/Town/County).

E. DURATION OF THE AGREEMENT. This Agreement will become effective upon authorization by the (City/Town/County) (Council Members or Commissioners) and the (name of Local Development Organization) Board of Directors and approval by the Department.

This Agreement will terminate if either party fails to meet the conditions of this Agreement or if an Event of Default occurs.

F. ADMINISTRATION.

1. For the purposes of implementing this Agreement, the **(City/Town/County)** will appoint a local government project liaison that will work with the Sub-recipient. The parties will meet as necessary to provide for the efficient and smooth implementation of this Agreement and the activities contained herein. This Agreement will run concurrently with the Management Plan, which governs the management of the initial CDBG-ED grant, and will follow the Management Plan for issues related to the initial grant. This Sub-recipient Agreement governs the management of the resultant RLF until terminated as provided in Section S.

2. The Sub-recipient will comply with the “Certifications for Application” signed by the **(City/Town/County)** and submitted with the application for economic development assistance to the Department of Commerce.

3. The Sub-recipient will comply with Procurement Standards as outlined in Chapter 3 and Chapter 8 of the CDBG Grant Administration Manual before entering into any agreements to remodel, to purchase equipment or material, or to retain the services of a consultant or contractor.

4. The CDBG-ED project fund will be audited on a yearly basis in conjunction with Sub-recipient’s agency-wide audit and the audit will be conducted according to OMB Circular A-133.

G. CONFLICT OF INTEREST. The Sub-recipient covenants that it presently has no interest and will not acquire any interest, direct or indirect, in the CDBG-ED project which would conflict in any manner or degree with the performance of its services hereunder. The Sub-recipient further covenants that, in performing this Contract, it will employ no person who has any such interest.

H. DISPOSITION OF REAL PROPERTY OR EQUIPMENT ACQUIRED. Upon the expiration of the Agreement, the Sub-recipient will transfer to the **(City/Town/County)** any CDBG-ED funds on hand at the time of expiration and any accounts receivable attributable from the use of CDBG-ED funds. With respect to any real property or equipment under the Sub-recipient control that was acquired or improved in whole or in part with CDBG-ED funds in excess of \$25,000, the Sub-recipient will either:

1. Use the property to meet the national objectives contained in 24 CFR section 570.901 for five (5) years after expiration of the Agreement; or

2. Dispose of the property in a manner consistent with OMB Circular A-102 Attachment “n” and as approved by the Department. Reimbursement is not required after the period of time specified in the first paragraph of this section. The proceeds from such disposition will be subject to the applicable provisions of 24 CFR 570.504 (program income).

I. DOCUMENTS INCORPORATED BY REFERENCE. The **(City/Town/County)**'s application to the Department for CDBG-ED funding, dated _____, 20____, and all applicable federal and state statutes and regulations are incorporated into this Contract by this reference and are binding upon the Sub-recipient.

J. CIVIL RIGHTS ACT OF 1964. The Sub-recipient will abide by the provisions of the Civil Rights Act of 1964 which states that under Title VI, no person may, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

K. SECTION 109 OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974. The Sub-recipient will comply with the following provision:

No person in the United States may on the grounds of race, color, national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with the funds made available under this title. Any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1975 or with respect to an otherwise qualified handicapped individual as provided in Section 504 of the Rehabilitation Act of 1973 will also apply to any such program or activity.

L. SECTION 3 OF THE HOUSING AND URBAN DEVELOPMENT ACT OF 1968. The Sub-recipient will ensure that to the greatest extent feasible, opportunities for training and employment arising in connection with this CDBG-ED assisted project will be extended to lower income project area residents. Further, the Sub-recipient will, to the greatest extent feasible, utilize business concerns located in or substantially owned by residents of the project area, in the award of contracts and purchase of services and supplies.

M. MINORITY BUSINESS ENTERPRISE. Consistent with the provisions of Executive Order 11246, the Sub-recipient will take affirmative steps to assure that minority businesses are used when possible as sources of supplies, equipment, construction and services. Additionally, the Sub-recipient will document all affirmative steps taken to solicit minority businesses and will forward this documentation along with the names of the minority subcontractors and suppliers to the local government CDBG-ED recipient upon request.

N. NONDISCRIMINATION. The Sub-recipient will not discriminate against any employee or applicant for employment on the basis of race, color, religion, creed, political ideas, sex, age, marital status, physical or mental handicap, or national origin.

O. OWNERSHIP AND PUBLICATION OF MATERIALS. All reports, information, data, and other materials prepared by the Sub-recipient pursuant to this Contract are the property of the **(City/Town/County)** and the Department which have the exclusive and unrestricted authority to release, publish or otherwise use, in whole or part, information relating thereto. Any reuse without written verification or adaptation by the

Architect/Engineer for the specific purpose intended will be at the Owner's sole risk and without liability or legal exposure to the Architect/Engineer. No material produced in whole or in part under this Contract may be copyrighted or patented in the United States or in any other country without the prior written approval of the (City/Town/County) and the Department.

P. REPORTS AND INFORMATION. The Sub-recipient will maintain accounts and records, including personnel, property and financial records, adequate to identify and account for all costs pertaining to this Contract and such other records as may be deemed necessary by the (City/Town/County) to assure proper accounting for all project funds, both federal and non-federal shares. These records will be made available for audit purposes to the (City/Town/County) or its authorized representative, and will be retained for three years after receipt of final payment for the services rendered under this Contract unless permission to destroy them is granted by the (City/Town/County).

Q. ACCESS TO RECORDS. It is expressly understood that the Sub-recipient's records relating to this Contract will be available during normal business hours for inspection by the (City/Town/County), the Department, the U.S. Department of Housing and Urban Development, the U.S. Comptroller General, and, when required by law, the Montana Legislative Auditor and Legislative Fiscal Analyst.

R. INDEMNIFICATION. The Sub-recipient waives any and all claims and recourse against the (City/Town/County), including the right of contribution of loss or damage to person or property arising from, growing out of, or in any way connected with or incidental to the Sub-recipient's performance of this Agreement, except claims arising from the concurrent or sole negligence of the (City/Town/County) or its officers, agents or employees. The Sub-recipient will indemnify, hold harmless, and defend the (City/Town/County) against any and all claims, demands, damages, costs, expenses, or liability arising out of the Sub-recipient's performance of this Agreement except for liability arising out of the concurrent or sole negligence of the (City/Town/County) or its officers, agents, or employees.

S. TERMINATION OF AGREEMENT. If any of the following events occur, the (City/Town/County) may, in its sole discretion, declare such event a default under this Agreement:

1. Any representation or warranty made by the Sub-recipient in this Agreement or in any request or certificate or other information furnished to the (City/Town/County) under this Agreement proves to have been incorrect in any material respect; or
2. The Sub-recipient fails in any material respect to carry out its obligations under its proposal to the (City/Town/County) for the assistance provided under this Agreement.

If the Sub-recipient fails to perform any of its duties under this Agreement or if any event of default occurs, the (City/Town/County) may declare the Sub-recipient to be in default and thereafter give the Sub-recipient written notice setting forth the action or inaction which

constitutes the default and giving the Sub-recipient 45 days in which to correct the default. If the Sub-recipient fails to correct the default within 45 days of receipt of this notice, the (City/Town/County) may notify the Sub-recipient in writing that any amount that is payable under this Agreement is due and payable in full within 45 days and this Agreement is terminated.

It is agreed by the parties that the provisions of this Agreement provide for reasonable and sufficient notice to be given to the Sub-recipient in case of the Sub-recipient's failure to comply with any of its covenants and that this notice is sufficient for the Sub-recipient to rectify its actions or inactions of default.

The waiver by the (City/Town/County) of any default by the Sub-recipient does not constitute a waiver of a continuing breach or a waiver of a subsequent breach. Any agreement contrary to this Agreement is not binding upon either party unless it is in writing and signed by both parties.

T. CONSTRUCTION AND VENUE.

This Agreement will be construed under and governed by the laws of the State of Montana. The (City/Town/County) and the Sub-recipient agree that performance of this Agreement is in the County of _____, State of Montana and that in the event of litigation concerning it, venue is in the District Court of the _____th Judicial District in and for the County of _____, Montana.

U. ELIGIBILITY. The Sub-recipient certifies that the Sub-recipient's firm and the firm's principals are not debarred, suspended, voluntarily excluded, or otherwise ineligible for participation in federally assisted contracts under Executive Order 12549, "Debarment and Suspension". (24 CFR 24.505)

This Sub-recipient Agreement has been approved by (name of City, Town or County) (Board of Commissioners or Council Members) and (name of Local Development Organization) Board of Directors.

IN WITNESS THEREOF, the parties hereto have caused this Agreement to be executed.

(Name of City, Town or County):

(Name of Local Development
Organization):

(Name of Chief Elected Official)

(Name of Director)

Date

Date

Attest:

Attest:

(ATTACH ANY EXHIBITS HERE)

For Example:

Exhibit “A” – Revolving Loan Fund Plan

Exhibit “B” – CDBG-ED Grant Contract between the Department of Commerce & the **(City/Town/County)**

Exhibit “C” – Management Plan for the Project (between the **(City/Town/County)** and the Sub-recipient, as approved by the Department of Commerce)

Exhibit “D” – Schedule of Fees (see example on page L1.9)

EXHIBIT L2

SAMPLE SUB-RECIPIENT AGREEMENT (For *non-RLF agreements*)

THIS AGREEMENT is entered into this ____ day of ____, 20__, by (name of City, Town or County), herein referred to as the (“City”, “Town” or “County”) and (name of Local Development Organization), a nonprofit economic development corporation herein referred to as the “Sub-recipient.”

WITNESSETH THAT:

WHEREAS, (name of City, Town or County) is the recipient of a Community Development Block Grant – Economic Development (CDBG-ED) Program by the Montana Department of Commerce, Business Resources Division herein referred to as “the Department,” and

WHEREAS, the purpose of the grant is to (name activities) for the residents of (name of City, Town, County or region), and

WHEREAS, the (City/Town/County), desires to sub-grant the CDBG-ED funds to the Sub-recipient and engage the Sub-recipient to (name activities) on the (City/Town/County)’s behalf, and

WHEREAS, the Department has required the (City/Town/County) to enter into a Sub-recipient agreement with the Sub-recipient specifying the terms and conditions of the (City/Town/County)’s delegation of certain CDBG-ED responsibilities to the Sub-recipient, and

WHEREAS, (name of Local Development Organization) is qualified as a (local development corporation or a nonprofit organization serving the development needs of the communities of non-entitlement areas) as defined by §105(a)(15) of Title I of the Housing and Community Development Act (the “Act”), and

WHEREAS, the parties to this Agreement understand that neither of them has in any way, expressly or impliedly, abrogated any of its individual powers, and further agree that this Agreement does not create any new organization or legal entity.

NOW, THEREFORE, in consideration of the mutual covenants and conditions set out in this Agreement, the parties agree as follows:

A. SPECIAL PROVISIONS. The (City/Town/County) agrees, under the terms and conditions of this Agreement, to sub-grant CDBG-ED funds for (name of activities) to the Sub-recipient.

B. INDEPENDENT SUB-RECIPIENT. It is understood by the parties hereto that the

Sub-recipient is an independent Sub-recipient and that neither its principals nor its employees, if any, are employees of the (City/Town/County) for purposes of tax, retirement system, or social security (FICA) withholding. It is further understood that pursuant to section 39-71-401, MCA, the Sub-recipient has obtained, and will maintain at its expense for the duration of this Contract, coverage in a workers' compensation plan for its principals and employees for the services to be performed hereunder.

C. COMPENSATION. Neither the cost of architectural, engineering, or grant administrative services plus a percentage of that cost method nor the percentage of construction cost method will serve as the basis for compensating the sub-recipient for its services provided under this Contract.

For the satisfactory completion of the services to be provided under this Contract, the (City/Town/County) will pay the Sub-recipient a sum not to exceed \$_____ as in the manner set forth in the attached Exhibit _____, which by this reference is made a part of this contract. Each specific service the Sub-recipient will provide under this contract, and the maximum amount that the (City/Town/County) will pay the Sub-recipient for each of these services, is set forth in the attached Exhibit _____.

The amount to be paid will be calculated according to the hourly billing rates for the various personnel as described in Exhibit _____. The Sub-recipient may submit monthly requests for payment, based on actual work performed, which must be accompanied by an itemized invoice describing the services furnished, the number of hours worked to accomplish each item, the amount being billed for each item, a description of any other eligible expenses incurred during the billing period, and the total amount being billed.

D. SCOPE OF SERVICES. The Sub-recipient will perform the following services:
(Here, or in an exhibit to the contract, explicitly and completely list the services and products the grant recipient expects of the Sub-recipient, including the timetable for completion of key tasks. Consult with your CDBG-ED liaison as to the specific services which may be appropriate for each grant category.)

It is understood and agreed by the parties that the services of the Sub-recipient do not include any of the following: the disbursement or accounting of funds distributed by the (City/Town/County)'s financial officer, legal advice, fiscal audits or assistance with activities not related to the CDBG-ED project.

1. The Sub-recipient will be responsible for all facets of the CDBG-ED gap financing and technical assistance project as described in the (City/Town/County)'s CDBG-ED application.

2. During the term of this Agreement, the Sub-recipient will maintain reasonable records of its performance under this Agreement in a manner consistent with generally accepted accounting principles. The Sub-recipient will allow the (City/Town/County)'s authorized representatives access to these records at anytime during normal business hours. At the request of the (City/Town/County), the Sub-recipient will submit to the

(City/Town/County), in the format prescribed by the (City/Town/County), status reports on its performance under this agreement.

3. If the Sub-recipient ceases to exist or an Event of Default occurs, all grant funding on hand and accounts or notes receivable related to this agreement, will revert to the (City/Town/County).

E. DURATION OF THE AGREEMENT. This Agreement will become effective upon authorization by the (City/Town/County) (Council Members or Commissioners) and the (name of Local Development Organization) Board of Directors and approval by the Department.

This Agreement will terminate if either party fails to meet the conditions of this Agreement or if an Event of Default occurs.

F. ADMINISTRATION.

1. For the purposes of implementing this Agreement, the (City/Town/County) will appoint a local government project liaison that will work with the Sub-recipient. The parties will meet as necessary to provide for the efficient and smooth implementation of this Agreement and the activities contained herein. This Agreement will run concurrently with the Management Plan, which governs the management of the initial CDBG-ED grant, and will follow the Management Plan for issues related to the initial grant.

2. The Sub-recipient will comply with the “Certifications for Application” signed by the (City/Town/County) and submitted with the application for economic development assistance to the Department of Commerce.

3. The Sub-recipient will comply with Procurement Standards as outlined in Chapter 3 and Chapter 8 of the CDBG Grant Administration Manual before entering into any agreements to remodel, to purchase equipment or material, or to retain the services of a consultant or Sub-recipient.

4. The CDBG-ED project fund will be audited on a yearly basis in conjunction with Sub-recipient’s agency-wide audit and the audit will be conducted according to OMB Circular A-133.

G. CONFLICT OF INTEREST. The Sub-recipient covenants that it presently has no interest and will not acquire any interest, direct or indirect, in the CDBG-ED project which would conflict in any manner or degree with the performance of its services hereunder. The Sub-recipient further covenants that, in performing this Contract, it will employ no person who has any such interest.

H. DISPOSITION OF REAL PROPERTY OR EQUIPMENT ACQUIRED. Upon the expiration of the Agreement, the Sub-recipient will transfer to the (City/Town/County) any CDBG-ED funds on hand at the time of expiration and any accounts receivable attributable from the use of CDBG-ED funds. With respect to any real property or

equipment under the Sub-recipient control that was acquired or improved in whole or in part with CDBG-ED funds in excess of \$25,000, the Sub-recipient will either:

1. Use the property to meet the national objectives contained in 24 CFR section 570.901 for five (5) years after expiration of the Agreement; or
2. Dispose of the property in a manner consistent with OMB Circular A-102 Attachment "n" and as approved by the Department. Reimbursement is not required after the period of time specified in the first paragraph of this section. The proceeds from such disposition will be subject to the applicable provisions of 24 CFR 570.504 (program income).

I. DOCUMENTS INCORPORATED BY REFERENCE. THE (City/Town/County)'s application to the Department for CDBG-ED funding, dated _____, 20____, and all applicable federal and state statutes and regulations are incorporated into this Contract by this reference and are binding upon the Sub-recipient.

J. CIVIL RIGHTS ACT OF 1964. The Sub-recipient will abide by the provisions of the Civil Rights Act of 1964 which states that under Title VI, no person may, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

K. SECTION 109 OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974. The Sub-recipient will comply with the following provision: No person in the United States may on the grounds of race, color, national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with the funds made available under this title. Any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1975 or with respect to an otherwise qualified handicapped individual as provided in Section 504 of the Rehabilitation Act of 1973 will also apply to any such program or activity.

L. SECTION 3 OF THE HOUSING AND URBAN DEVELOPMENT ACT OF 1968. The Sub-recipient will ensure that to the greatest extent feasible, opportunities for training and employment arising in connection with this CDBG-ED-assisted project will be extended to lower income project area residents. Further, the Sub-recipient will, to the greatest extent feasible, utilize business concerns located in or substantially owned by residents of the project area, in the award of contracts and purchase of services and supplies.

M. MINORITY BUSINESS ENTERPRISE. Consistent with the provisions of Executive Order 11246, the Sub-recipient will take affirmative steps to assure that minority businesses are used when possible as sources of supplies, equipment, construction and services. Additionally, the Sub-recipient will document all affirmative steps taken to solicit minority businesses and will forward this documentation along with

the names of the minority Sub-recipients and suppliers to the local government CDBG-ED recipient upon request.

N. NONDISCRIMINATION. The Sub-recipient will not discriminate against any employee or applicant for employment on the basis of race, color, religion, creed, political ideas, sex, age, marital status, physical or mental handicap, or national origin.

O. OWNERSHIP AND PUBLICATION OF MATERIALS. All reports, information, data, and other materials prepared by the Sub-recipient pursuant to this Contract are the property of the (City/Town/County) and the Department which have the exclusive and unrestricted authority to release, publish or otherwise use, in whole or part, information relating thereto. Any reuse without written verification or adaptation by the Architect/Engineer for the specific purpose intended will be at the Owner's sole risk and without liability or legal exposure to the Architect/Engineer. No material produced in whole or in part under this Contract may be copyrighted or patented in the United States or in any other country without the prior written approval of the (City/Town/County) and the Department.

P. REPORTS AND INFORMATION. The Sub-recipient will maintain accounts and records, including personnel, property and financial records, adequate to identify and account for all costs pertaining to this Contract and such other records as may be deemed necessary by the (City/Town/County) to assure proper accounting for all project funds, both federal and non-federal shares. These records will be made available for audit purposes to the (City/Town/County) or its authorized representative, and will be retained for three years after receipt of final payment for the services rendered under this Contract unless permission to destroy them is granted by the (City/Town/County).

Q. ACCESS TO RECORDS. It is expressly understood that the Sub-recipient's records relating to this Contract will be available during normal business hours for inspection by the (City/Town/County), the Department, the U.S. Department of Housing and Urban Development, the U.S. Comptroller General, and, when required by law, the Montana Legislative Auditor and Legislative Fiscal Analyst.

R. INDEMNIFICATION. The Sub-recipient waives any and all claims and recourse against the (City/Town/County), including the right of contribution of loss or damage to person or property arising from, growing out of, or in any way connected with or incidental to the Sub-recipient's performance of this Agreement, except claims arising from the concurrent or sole negligence of the (City/Town/County) or its officers, agents or employees. The Sub-recipient will indemnify, hold harmless, and defend the (City/Town/County) against any and all claims, demands, damages, costs, expenses, or liability arising out of the Sub-recipient's performance of this Agreement except for liability arising out of the concurrent or sole negligence of the (City/Town/County) or its officers, agents, or employees.

S. TERMINATION OF AGREEMENT. If any of the following events occur, the

(City/Town/County) may, in its sole discretion, declare such event a default under this Agreement:

1. Any representation or warranty made by the Sub-recipient in this Agreement or in any request or certificate or other information furnished to the (City/Town/County) under this Agreement proves to have been incorrect in any material respect; or
2. The Sub-recipient fails in any material respect to carry out its obligations under its proposal to the (City/Town/County) for the assistance provided under this Agreement.

If the Sub-recipient fails to perform any of its duties under this Agreement or if any event of default occurs, the (City/Town/County) may declare the Sub-recipient to be in default and thereafter give the Sub-recipient written notice setting forth the action or inaction which constitutes the default and giving the Sub-recipient 45 days in which to correct the default. If the Sub-recipient fails to correct the default within 45 days of receipt of this notice, the (City/Town/County) may notify the Sub-recipient in writing that any amount that is payable under this Agreement is due and payable in full within 45 days and this Agreement is terminated.

It is agreed by the parties that the provisions of this Agreement provide for reasonable and sufficient notice to be given to the Sub-recipient in case of the Sub-recipient's failure to comply with any of its covenants and that this notice is sufficient for the Sub-recipient to rectify its actions or inactions of default.

The waiver by the (City/Town/County) of any default by the Sub-recipient does not constitute a waiver of a continuing breach or a waiver of a subsequent breach. Any agreement contrary to this Agreement is not binding upon either party unless it is in writing and signed by both parties.

T. CONSTRUCTION AND VENUE.

This Agreement will be construed under and governed by the laws of the State of Montana. The (City/Town/County) and the Sub-recipient agree that performance of this Agreement is in the County of _____, State of Montana and that in the event of litigation concerning it, venue is in the District Court of the ____th Judicial District in and for the County of _____, Montana.

U. ELIGIBILITY. The Sub-recipient certifies that the Sub-recipient's firm and the firm's principals are not debarred, suspended, voluntarily excluded, or otherwise ineligible for participation in federally assisted contracts under Executive Order 12549, "Debarment and Suspension". (24 CFR 24.505)

This Sub-recipient Agreement has been approved by (name of City, Town, or County) (Board of Commissioners or Council Members) and (name of Local Development Organization) Board of Directors.

IN WITNESS THEREOF, the parties hereto have caused this Agreement to be executed.

(Name of City, Town or County):

(Name of Local Development
Organization):

(Name of Chief Elected Official)

(Name of Director)

Date

Date

Attest:

Attest:

(ATTACH ANY EXHIBITS HERE)

For Example:

Exhibit "A" – CDBG-ED Grant Contract between the Department of Commerce & the **(City/Town/County)**

Exhibit "B" – Management Plan for the Project (between the **(City/Town/County)** and the Sub-recipient, as approved by the Department of Commerce)

Exhibit "C" – Schedule of Fees (see example on page L2.9)

Example of “Schedule of Fees”

Local Development Organization Schedule of Fees

PERSONNEL EXPENSES

Project Manager – Anticipated work hours for 2 year project

875 hours @ \$30/hour = \$26,250.00

Benefits – Health insurance, annual leave, etc.

875 hours @ \$3.00/hour = \$ 2,625.00

TRAVEL (\$.35/mile)

26 trips out to project site @ \$10.78 = \$ 280.28

6 trips to other office @ \$47.04 = \$ 282.24

SUPPLIES (10% overhead)

Office supplies =\$ 2,587.48

Postage

Printing and copying

Telephone

TOTAL \$32,025.00

EXHIBIT M1

SAMPLE MANAGEMENT PLAN (*Local Government Management*)

This document is only a sample. It is important that local officials create a management plan based on how things are actually done (especially in regards to the financial management) by the local government; the sample management plan should not simply be copied if it does not fit the local government's particular situation.

MONTANA DEPARTMENT OF COMMERCE
COMMUNITY DEVELOPMENT BLOCK GRANT
ECONOMIC DEVELOPMENT PROGRAM
CONTRACT NO. MT-CDBG-ED-xx-xx
(Name of Assisted Business)

A. Administrative Structure

The (Name of Local Government) is an incorporated (City/Town/County) with a (Mayor/Council, City Manager/Council or County Commission) form of government. The following persons will have lead responsibility for administering the (City/Town/County)'s (FY xxxx) Community Development Block Grant – Economic Development (CDBG-ED) Project to (description of project) for (Name of Assisted Business):

1. (Name and Title of the Chief Elected Official), as the (City/Town/County)'s chief elected official, will have responsibility for all official contacts with the Montana Department of Commerce (MDOC). The (Chief Elected Official), and (Council or Commissioners) will have the ultimate authority and responsibility for the (City/Town/County)'s (FY xxxx) implementation of the CDBG-ED project to (description of project) for (Name of Assisted Business). The (Chief Elected Official) will approve and sign administrative documents, designate the Environmental Certifying Officer and approve all requests for payment from the CDBG-ED program. The (Council or Commissioners) will approve all contracts and drawdown requests. The telephone number for the (Chief Elected Official and Council or Commissioners) is (406) (xxx-xxxx). (Email xxxx@xxx)
2. (Name), (City/Town/County) Fiscal Officer, will act as Finance Manager for the CDBG-ED project and will be responsible for management of and record keeping for CDBG-ED funds and other funds involved in the financing of the (description of project) for (Name of Assisted Business). Approximately (amount, i.e. one-tenth) of his time will be devoted to CDBG-ED administration during the term of the project. (Telephone (406) (xxx-xxxx).) (Email xxxx@xxx)
3. (Name), (City/Town/County) Clerk, will maintain all records for the project. Approximately (amount, i.e. one-tenth) of (his/her) time will be devoted to maintaining CDBG-ED records. (Telephone (406) (xxx-xxxx).) (Email xxxx@xxx)

4. (Name), (City/Town/County) Grants Administrator, will be the Project Manager. (He/She) will be the liaison between (Name of Assisted Business) and the (Council or Commissioners), (City/Town/County) Attorney, and the Montana Department of Commerce. He/she will make appropriate recommendations and route all contract documents, required administrative documents, and drawdowns. On behalf of the (Council or Commissioners), (he/she) will maintain the project files, be responsible for Federal, State and programmatic requirements and manage the administration and implementation of the CDBG-ED project to expand the business of (Name of Assisted Business). (He/she) will be responsible for assisting the applicant with all aspects of managing the project, including the completion of the environmental review, preparation of contracts, loan agreements, low-to-moderate income documentation and monitoring. Approximately (amount, i.e. one-third) of (his/her) time will be devoted to CDBG-ED administration during the term of tile project. (Telephone: (406) (xxx-xxxx).) (Email xxxx@xxx)
5. (Name), (City/Town/County) Attorney, will review and advise the (Council or Commissioners) regarding any proposed contractual agreements associated with the CDBG-ED project and will provide any other legal guidance as requested. The (City/Town/County) Attorney will review and approve all loan agreements and related documents. (Telephone: (406) (xxx-xxxx).) (Email xxxx@xxx)
6. (Name), Controller for (Name of Assisted Business) will serve as the project representative for (Name of Assisted Business).
7. The local Job Service will be responsible for screening and verifying income levels for all job applicants and maintaining employment files in accordance with CDBG – ED guidelines.
8. In accordance with the Single Audit Act, as amended, an independent auditing firm will review and make a report on the CDBG-ED.

B. Project Management

1. The Project Manager will be responsible for:
 - a. Ensuring that the Loan/Grant Agreement between (Name of Local Government) and (Name of Assisted Business) is executed.
 - b. Preparing the Environmental Review Record (ERR) to assure full compliance with the National and Montana Environmental Policy Acts and any other applicable environmental requirements. The Project Manager also will be responsible for preparing any required legal notices for the ERR Process and for ensuring required public hearings or informational meetings are conducted.
 - c. Preparing a Request for Release of Funds (RROF) for submittal to the MDOC.

- d. Developing the contract with the MDOC and administering all requirements related to effective project start-up and implementation.
 - e. Preparation of contracts and loan agreements between the (City/Town/County) and (Name of Assisted Business).
 - f. Assisting (Name of Assisted Business) and the local Job Service with documentation of low-to-moderate income documentation.
 - g. Establishing and maintaining complete and accurate project files and preparing all documentation and reports incidental to administration of the grant.
 - h. Reviewing all proposed project expenditures or requests for payment to ensure their propriety and proper allocation of expenditures to the CDBG-ED project budget.
 - i. In cooperation with the (City/Town/County) Fiscal Officer, reviewing requests for payment to ensure compliance, processing payment requests and preparing drawdown requests for the CDBG-ED, including the *Request for Payment and Status of Funds Reports* and the *Project Progress Report*.
 - j. Preparing all required performance reports and closeout documents for submittal to the (City/Town/County) for review and submittal to the CDBG-ED Program.
 - k. Project liaison with (Name of Assisted Business), the community and (Council or Commissioner) meetings to provide project status reports and representing the project at any other public meetings, as deemed necessary by the (Council or Commissioners).
 - l. Project monitoring.
 - m. Public Relations, which includes acting as a contact person for persons interested in the project, preparing press releases, and disseminating project information.
2. The (City/Town/County) Attorney will be responsible for:
- a. Reviewing all proposed contractual agreements for the CDBG-ED program.
 - b. Ensuring that any agreements necessary, including the Loan/Grant Agreement, between (Name of Assisted Business) and (Name of Local Government) are properly executed.

C. Financial Management

1. The Finance Manager's responsibilities will be as follows:

- a. Establishing the CDBG-ED Program line item account and disbursing CDBG-ED funds from that account based on claims and supporting documents approved by the Project Manager. Since the (City/Town/County) uses a non-interest bearing compensative balance for its general disbursements, a separate CDBG-ED account is not necessary. The balance of CDBG-ED funds in the (City/Town/County) account will not exceed \$5,000 for a period of more than three (3) days, and all CDBG-ED funds drawn by the grantee will be expended for eligible costs within 15 days.
- b. Entering all project transactions into the (City/Town/County)'s existing accounting system (BARS) and preparing checks/warrants for approved expenditures.
- c. With the assistance of the Project Manager, preparing the *Request for Payment and Status of Funds Reports* to be submitted to the MDOC. All drawdown requests will be signed by two of the three following persons: two (Council or Commissioner) members and the (City/Town/County) Fiscal Officer. No expenditures will be made without the approval of the (Council or Commissioners).
- d. With the assistance of the Project Manager, preparing the final financial reports for project closeout.

Original financial documents (claims with attached supporting documents) will be retained in the (City/Town/County) Clerk's office.

Monthly time sheets and daily project logs will be maintained by (City/Town/County) staff to document all time worked on the CDBG-ED project.

IN WITNESS WHEREOF, the parties hereto acknowledge that the parties named within are aware of their responsibilities and execute this Agreement on the _____ day of _____, 20__.

PROJECT ADMINISTRATOR:

(Name, Title)
(Local Development Organization (LDO))

 Date

(Name of City, Town or County):

(Name, Title of Elected Official)
(Name of Local Government)

 Date

Example of a Local Government's supporting documentation to be submitted with a Request for Reimbursement for administrative services attributable to the project.

(Submitted to the
CDBG-ED program with the Request for Reimbursement form as supporting
documentation for a Local Government's Administrative Services reimbursement)

PUNXSUTAWNEY ECONOMIC DEVELOPMENT PROJECT

Local Government Staff Project Hours

June-August 2012

<u>Staff</u>	<u>Hours</u>	<u>Activity</u>	<u>Date Performed</u>
Johnson	4.0	Meet w/ city and engineer	6/8/12
Williams	2.0	Reviewed Contracts	6/20/12
Williams	3.0	Reviewed Files, Prepared progress report	7/24/12
Johnson	4.0	Meet w/ CDBG-ED rep at project site (40 travel miles)	8/4/12
Williams	2.0	Prepare drawdown #1 and progress report	8/22/12

Total Hours	Williams	7.0
	Johnson	8.0

Williams	7.0 hours @ \$40/hour	\$280.00
Johnson	8.0 hours @ \$60/hour	\$480.00

Travel to City and Project site (40 mi. @ \$.50/mi.)	<u>\$ 20.00</u>
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Invoice Total:	\$780.00
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See the attached additional documentation substantiating the charges.

EXHIBIT M2

SAMPLE MANAGEMENT PLAN (Loan Project Managed by Third-Party Nonprofit)

This document is only a sample. It is important that local officials create a management plan based on how things are actually done (especially in regards to the financial management) by the local government; the sample management plan should not simply be copied if it does not fit the local government's particular situation.

MONTANA DEPARTMENT OF COMMERCE
COMMUNITY DEVELOPMENT BLOCK GRANT
ECONOMIC DEVELOPMENT PROGRAM
CONTRACT NO. MT-CDBG-ED-xx-xx
(Name of Assisted Business)

In Fiscal Year (xxxx), the (Name of Local Government) received a grant from the Montana CDBG-ED Program that will be loaned to (Name of Assisted Business). The loan repayments will be used to continue the development of the CDBG-ED Revolving Loan Fund, (hereinafter called "The RLF"). The RLF will be used to provide financial capital to create or expand businesses in the (Name of Local Government) in equal proportion with private financing. New and expanding businesses that borrow funds from the RLF will promise to provide jobs to low and moderate-income (LMI) families in the (Name of Local Government). The (City/Town/County) will enter into a Sub-Recipient Agreement with (name of Local Development Organization) (LDO) for administering the CDBG-ED Project and the RLF. This Management Plan is written to assure proper management of the CDBG-ED project, which includes financial management of grant funds, compliance with State and federal requirements, timely start-up and completion of project activities, and prudent administration of ongoing loan repayments.

A. ADMINISTRATIVE STRUCTURE

1. LOCAL GOVERNMENT GRANTEE

The (Name of Local Government) is an incorporated (City/Town/County) with a (Mayor/Council, City Manager/Council or County Commission) form of government. The following persons will have lead responsibility for administering the (City/Town/County)'s FY (xxxx) Community Development Block Grant-Economic Development (CDBG-ED) Project on behalf of the (City/Town/County) to (Describe Activity Funded) for (Name of Assisted Business).

- a. (Name, Local Government Elected Official), as the (City/Town/County)'s chief elected official, will have responsibility for all official contacts with the Montana Department of Commerce (MDOC). The (Local Government Elected Official) and (Council or Commissioners) will have the ultimate authority and responsibility for the implementation of the (Name of Local Government)'s FY (xxxx) CDBG-ED project for Economic Development to facilitate an expansion of (Name of Assisted

Business). The **(Local Government Elected Official)** will approve and sign administrative documents, designate the Environmental Certifying Officer and approve all requests for payment from the CDBG-ED program. The **(Council or Commissioners)** will approve all contracts and drawdown requests. The telephone number for the **(Local Government Elected Official)** and **(Council or Commissioners)** is (406) **(xxx-xxxx)**. **(Email xxxx@xxx)**

- b. **(Name), (City/Town/County)** Attorney, will review any proposed contractual agreements associated with the CDBG-ED Project, advise the **(Council or Commissioners)** regarding the agreements, and provide any other legal guidance as requested. (Telephone: (406) **(xxx-xxxx)**.) **(Email xxxx@xxx)**
- c. **(Name), (City/Town/County)** Clerk, will be responsible for maintaining records related to the management of the initial CDBG-ED project funds for the **(Name of Local Government)**. (Telephone: (406) **(xxx-xxxx)**.) **(Email xxxx@xxx)**
- d. **(Name), (City/Town/County) (Position (i.e. County Development Office))**, will be the liaison between the **(name of Local Development Organization)** (LDO), the **(Council or Commission)** members and the **(City/Town/County)** Attorney. **(He/She)** will make appropriate recommendations and route all contract documents, administrative documents, and drawdowns as necessary. **(He/She)** will also be responsible for the Environmental Review process. (Telephone: (406) **(xxx-xxxx)**.) **(Email xxxx@xxx)**

2. **(Name of Local Development Organization)** (LDO)

To provide general technical assistance, coordination of funding sources, assurances of compliance with all applicable state and federal requirements for the CDBG-ED program, the **(Name of Local Government)** has designated the **(name of Local Development Organization)** (LDO) as its Project Administrator. **(Name of Local Development Organization)** (LDO) is a not-for-profit 501(c)(3) Local Community Development Agency located in **(Name of Local Government)**. The following **(name of Local Development Organization)** (LDO) personnel will be responsible for the project:

- a. **(Name)**, Executive Director, will be responsible for all official contacts with the **(Name of Local Government)** on behalf of **(name of Local Development Organization)** (LDO), keeping the **(name of Local Development Organization)** (LDO) Board of Directors apprised of project status, and entering agreements on behalf of **(name of Local Development Organization)** (LDO). (Telephone: (406) **(xxx-xxxx)**.) **(Email xxxx@xxx)**

- b. (Name), Project Manager, will be responsible for overall coordination of the CDBG-ED Grant awarded to the (Name of Local Government). (He/She) will establish and maintain complete and accurate project files, monitor all project activities for compliance with all applicable requirements, and supervise the project outreach, intake, application and project selection process. (Telephone: (406) (xxx-xxxx).) (Email xxxx@xxx)
- c. (Name), Fiscal Officer, will be responsible for the fiscal management of the project, in coordination with the Project Manager and in accordance with the (name of Local Development Organization) (LDO) Fiscal Procedures Manual. (He/She) will assure compliance with all applicable federal, state and local requirements, keep all fiscal records and accounts for the (name of Local Development Organization) (LDO), assure coordination of all funding sources, review all project expenditures from the business, process pay requests, draft drawdown requests, and prepare all project closeout documents. (Telephone: (406) (xxx-xxxx).) (Email xxxx@xxx)

B. PROJECT MANAGEMENT

- 1. (Name), (City/Town/County), (Position) will:
 - a. Complete the environmental review for each project to assure compliance with National and Montana Environmental Policy Acts
 - b. Complete the Statutory Checklist or Consolidated Environmental Assessment Form, as applicable, and any other applicable environmental requirements
 - c. Prepare any legal notices required to be published for the environmental review process and conduct any required public hearings or informational meetings
 - d. Prepare a request for release of funds to the MDOC
 - e. Assist in the development of a CDBG-ED contract between the (City/Town/County) and the MDOC
 - f. Review, approve, and submit the CDBG-ED drawdown requests, after preparation by (name of Local Development Organization) (LDO) and approval by the (Council or Commissioners), to the CDBG-ED Program, Business Resources Division, Montana Department of Commerce, and ensure disbursement of funds to the (name of Local Development Organization) (LDO) for loan closings and administrative expenses
 - g. Review and approve all CDBG-ED closeout documents.

2. As a subgrantee, the Project Administrator, (name of Local Development Organization) (LDO), is responsible for the following day to day project activities:
- a. Coordinating with the (Name of Local Government) for completion of the environmental review process required of each CDBG-ED project considered for funding to assure full compliance with the National and Montana Environmental Policy Acts and the preparation of any legal notices required to be published for the environmental review process and conducting any required public hearings or informational meetings.
 - b. Assisting the (Name of Local Government) and the MDOC in developing the (Name of Local Government) contract with the MDOC that will address all requirements related to effective project start-up and implementation. This will include preparation of all management agreements between the (Name of Local Government) and the Project Administrator.
 - c. Establishing and maintaining complete and accurate project files and preparing all documentation and reports incidental to administration of the grant
 - d. Reviewing all proposed project expenditures or requests for payment from the business to ensure their propriety and proper allocation of expenditures to the CDBG-ED budget.
 - e. In cooperation with the (Name of Local Government) project manager, processing quarterly payment requests and preparing drawdown requests to the MDOC, including the Request for Payment and Status of Funds Report and the Project Progress Report
 - f. Assuring compliance with applicable civil rights requirements included in the (Name of Local Government)'s adopted equal opportunity plan and fair housing resolution
 - g. Preparing all required performance reports and closeout documents for submittal to MDOC and assisting the (Name of Local Government) auditors with the completion of the project's audit requirements
 - h. Closing the CDBG-ED loan in a timely fashion in accordance with the project implementation schedule
 - i. Monitoring the borrower's compliance with the requirements of the loan agreement including monthly payments, implementation of the project hiring and training plan, submission of monthly financial statements, and documentation of benefit to low and moderate-income families
 - j. Preparing the Program Income Plan for the project and securing MDOC approval for that plan before closing the CDBG-ED loan

- k. Attending (Council or Commissioners) meetings to provide project status reports and representing the CDBG-ED project at any other public meetings as deemed necessary by the (Council or Commissioners)
- l. Developing a means for assisting the ultimate loan recipients with fulfilling the hiring and training plan requirements, including reports to MDOC regarding progress.

C. FINANCIAL MANAGEMENT

- 1. The (Name of Local Government) Clerk will be responsible for:
 - a. Establishing a CDBG-ED bank account and transferring CDBG-ED funds from that account to the (Name of Local Government) treasury for disbursements, based on claims and supporting documents approved by the Project Manager and (Council or Commissioners). As the (City/Town/County) uses an interest bearing account for its general disbursements a separate non-interest bearing account will be used for CDBG-ED funds. Balances in that account will not exceed \$5,000 for a period of three days. Funds will be transferred to the (name of Local Development Organization) (LDO) account and the (name of Local Development Organization) (LDO) will disperse funds to the borrowers.
 - b. Entering all project transactions into the (City/Town/County)'s existing accounting system (BARS) and preparing warrants for approved expenditures.
 - c. With the assistance of the Project Administrator, preparing the Request for Payment and Status of Funds Reports to be submitted to MDOC. All drawdown requests will be signed by two of the three following persons: (i.e. Mayor, Director of the County Development Office, President of the City Council).
 - d. The (i.e. Project Administrator, the County Development Director and/or City Clerk) will review all proposed expenditures of CDBG-ED funds and will prepare drawdown requests, which will be signed by the officials cited above. All disbursements will be made in accordance with the (City/Town/County) established claim review procedures. Before submitting the claim to the (City/Town/County) Clerk, the Project Administrator will attach a certification to each claim stating that the proposed expenditure is an eligible expense of the (City/Town/County) CDBG-ED grant and consistent with the project budget.
 - e. With the assistance of the Project Administrator, preparing the final financial report for project closeout.

- f. Financial record keeping will conform to the recommendations of the MDOC/Local Governmental Services Bureau as described in Chapter 4 of the CDBG Grant Administration Manual. The original financial documents (claims with all supporting documents attached) will be retained in the (Name of Local Government) offices.
- g. With oversight and approval from (Name of Local Government), (name of Local Development Organization) (LDO) will administer the project within the framework of its financial procedures manual. These procedures are designed to ensure the efficient and effective administration of federal grants within the constraints of uniform federal compliance requirements as outlined in OMB Circular A-110 and further codified in 24 CFR 570-502 (Revised as of April 1, 1997).
- h. A separate fund for the project will be set up within the general ledger accounts at (name of Local Development Organization) (LDO). All CDBG-ED activities including revenues, administrative expenditures, loans, and loan repayments will be segregated recorded, and reported in this fund and will be entitled "(Name of Local Government) CDBG-ED Project Fund". The first transaction from the fund will be a loan to (Name of Assisted Business) for (\$xxx,xxx.xx). In conjunction with the loan closing date, the first drawdown from project activity funds will be requested from the (Name of Local Government). (Name of Local Development Organization) (LDO) will prepare the drawdown request and forward it to the (City/Town/County). The (City/Town/County) will review the request in accordance with its normal claim review process, sign the request, and forward it to the MDOC. The loan closing date will be scheduled to coincide with receipt of funds in the (Name of Local Government) account to prevent interest earnings on cash held at either the (Name of Local Government) or (name of Local Development Organization) (LDO) before ultimate loan disbursement to (Name of Assisted Business).
- i. Subsequent draw downs will consist of **administrative payments** from the (Name of Local Government) to the (name of Local Development Organization) (LDO). **Administrative payments will consist of reimbursement for actual time and costs incurred.** The (name of Local Development Organization) (LDO) will prepare the CDBG-ED draw down and attach a copy of a detailed invoice (*example on page M-18*). Upon review and approval, the (Name of Local Government) will forward the draw down request to the MDOC. The (Name of Local Government) will reimburse the (name of Local Development Organization) (LDO) for eligible administrative expenses upon receipt of funds from the MDOC.

- j. The CDBG-ED project fund will be audited on a yearly basis in conjunction with (Name of Local Government)'s audit, and the audit will be conducted according to OMB Circular A-133.

PROGRAM INCOME AND REVOLVING LOAN FUND

Repayments of principal and interest on the note to (Name of Assisted Business) will be deposited in the Revolving Loan Fund (see RLF Plan). It is the intent of the (Name of Local Government) and (name of Local Development Organization) (LDO) to maintain net equity in the fund at the original project level, (\$xxx,xxx). Interest earnings will be used to fund administrative expenses and loan loss reserves. The fund will be managed to provide a source of ongoing funding for the (Name of Local Government) projects that impact LMI persons. Before the beginning of each year, (name of Local Development Organization) (LDO) will report the results of operations and the fund's financial position to the (Name of Local Government). At that time, an administrative budget for the following year will also be submitted for review and approval. Based upon (name of Local Development Organization) (LDO) success in program management, the (City/Town/County) will authorize administrative expenses for the next year's activity.

If (name of Local Development Organization) (LDO) ceases to exist or an event of default occurs, Program Income relating to the CDBG-ED Project, including funds on hand and accounts or notes receivable will revert to the (Name of Local Government).

IN WITNESS WHEREOF, the parties hereto acknowledge that the parties named within are aware of their responsibilities and execute this Agreement on the _____ day of _____, 20__.

PROJECT ADMINISTRATOR:

(Name, Title)
(name of Local Development Organization)

Date

(Name of City, Town or County):

(Name, Title of Elected Official)
(Name of Local Government)

Date

Example of a Local Development Organization's Invoice
(Submitted to the Local Government for
CDBG-ED Administrative Services Payment)

Invoice # XXXXX

PUNXSUTAWNEY ECONOMIC DEVELOPMENT PROJECT

Here-to-Help Staff Project Hours

June-August 2012

<u>Staff</u>	<u>Hours</u>	<u>Activity</u>	<u>Date Performed</u>
Johnson	4.0	Meet w/ city and engineer (200 travel miles)	6/8/12
Williams	2.0	Reviewed Contracts	6/20/12
Williams	3.0	Reviewed Files, Prepared progress report	7/24/12
Johnson	4.0	Meet w/ CDBG-ED rep at project site (200 travel miles)	8/4/12
Williams	2.0	Prepare drawdown #1 and progress report	8/22/12

Total Hours Williams 7.0
Johnson 8.0

Williams	7.0 hours @ \$40/hour	\$280.00
Johnson	8.0 hours @ \$60/hour	\$480.00

Travel to City and Project site (400 mi. @ \$.50/mi.) \$200.00

Invoice Total: \$960.00

See the attached additional documentation substantiating the charges.

EXHIBIT M3

SAMPLE MANAGEMENT PLAN (Grant Project Managed by Third-Party Nonprofit)

This document is only a sample. It is important that local officials create a management plan based on how things are actually done (especially in regards to the financial management) by the local government; the sample management plan should not simply be copied if it does not fit the local government's particular situation.

MONTANA DEPARTMENT OF COMMERCE
COMMUNITY DEVELOPMENT BLOCK GRANT
ECONOMIC DEVELOPMENT PROGRAM
CONTRACT NO. MT-CDBG-ED-xx-xx
(Name of Assisted Business)

In Fiscal Year (xxxx), the **(Name of Local Government)** received a grant from the Montana CDBG-ED Program that will be given to **(Name of Assisted Business)**. New and expanding businesses that receive funds from the CDBG-ED program promise to provide jobs to low and moderate-income (LMI) families in the **(Name of Local Government)**. The **(City/Town/County)** will enter into a Sub-Recipient Agreement with name of **(name of Local Development Organization)** (LDO) for administering the CDBG-ED Project. This Management Plan is written to assure proper management of the CDBG-ED project, which includes financial management of grant funds, compliance with State and federal requirements, and timely start-up and completion of project activities.

A. ADMINISTRATIVE STRUCTURE

1. LOCAL GOVERNMENT GRANTEE

The **(Name of Local Government)** is an incorporated **(City/Town/County)** with a **(Mayor/Council, City Manager/Council or County Commission)** form of government. The following persons will have lead responsibility for administering the **(City/Town/County)**'s FY (xxxx) Community Development Block Grant-Economic Development (CDBG-ED) Project on behalf of the **(City/Town/County)** to **(Describe Activity Funded)** for **(Name of Assisted Business)**.

- a. **(Name, Local Government Elected Official)**, as the **(City/Town/County)**'s chief elected official, will have responsibility for all official contacts with the Montana Department of Commerce (MDOC). The **(Local Government Elected Official)** and **(Council or Commissioners)** will have the ultimate authority and responsibility for the implementation of the **(Name of Local Government)**'s FY (xxxx) CDBG-ED project for Economic Development to facilitate an expansion of **(Name of Assisted Business)**. The **(Local Government Elected Official)** will approve and sign administrative documents, designate the Environmental Certifying Officer and approve all requests for payment from the CDBG-ED program. The **(Council or Commissioners)** will approve all contracts and drawdown requests. The telephone number for the **(Local Government**

Elected Official) and (Council or Commissioners) is (406) (xxx-xxxx).
(Email xxxx@xxx)

- b. (Name), (City/Town/County) Attorney, will review any proposed contractual agreements associated with the CDBG-ED Project, advise the (Council or Commissioners) regarding the agreements, and provide any other legal guidance as requested. (Telephone: (406) (xxx-xxxx).) (Email xxxx@xxx)
- c. (Name), (City/Town/County) Clerk, will be responsible for maintaining records related to the management of the initial CDBG-ED project funds for the (Name of Local Government). (Telephone: (406) (xxx-xxxx).) (Email xxxx@xxx)
- d. (Name), (City/Town/County) (Position (i.e. County Development Office)), will be the liaison between the (name of Local Development Organization) (LDO), the (Council or Commission) members and the (City/Town/County) Attorney. (He/She) will make appropriate recommendations and route all contract documents, administrative documents, and drawdowns as necessary. (He/She) will also be responsible for the Environmental Review process. (Telephone: (406) (xxx-xxxx).) (Email xxxx@xxx)

2. (Name of Local Development Organization) (LDO)

To provide general technical assistance, coordination of funding sources, assurances of compliance with all applicable state and federal requirements for the CDBG-ED program, the (Name of Local Government) has designated the (name of Local Development Organization) (LDO) as its Project Administrator. (Name of Local Development Organization) (LDO) is a not-for-profit 501(c)(3) Local Community Development Agency located in (Name of Local Government). The following (name of Local Development Organization) (LDO) personnel will be responsible for the project:

- a. (Name), Executive Director, will be responsible for all official contacts with the (Name of Local Government) on behalf of (name of Local Development Organization) (LDO), keeping the (name of Local Development Organization) (LDO) Board of Directors apprised of project status, and entering agreements on behalf of (name of Local Development Organization) (LDO). (Telephone: (406) (xxx-xxxx).) (Email xxxx@xxx)
- b. (Name), Project Manager, will be responsible for overall coordination of the CDBG-ED Grant awarded to the (Name of Local Government). (He/She) will establish and maintain complete and accurate project files, monitor all project activities for compliance with all applicable requirements, and supervise the project outreach, intake, application and project selection process. (Telephone: (406) (xxx-xxxx).) (Email xxxx@xxx)

- c. (Name), Fiscal Officer, will be responsible for the fiscal management of the project, in coordination with the Project Manager and in accordance with the (name of Local Development Organization) (LDO) Fiscal Procedures Manual. (He/she) will assure compliance with all applicable federal, state and local requirements, keep all fiscal records and accounts for the (name of Local Development Organization) (LDO), assure coordination of all funding sources, review all project expenditures from the business, process pay requests, draft drawdown requests, and prepare all project closeout documents. (Telephone: (406) (xxx-xxxx).) (Email xxxx@xxx)

B. PROJECT MANAGEMENT

- 1. (Name), (City/Town/County), (Position) will:
 - a. Complete the environmental review for each project to assure compliance with National and Montana Environmental Policy Acts
 - b. Complete the Statutory Checklist or Consolidated Environmental Assessment Form, as applicable, and any other applicable environmental requirements
 - c. Prepare any legal notices required to be published for the environmental review process and conduct any required public hearings or informational meetings
 - d. Prepare a request for release of funds to the MDOC
 - e. Assist in the development of a CDBG-ED contract between the (City/Town/County) and the MDOC
 - f. Review, approve, and submit the CDBG-ED drawdown requests, after preparation by (name of Local Development Organization) (LDO) and approval by the (Council or Commissioners), to the CDBG-ED Program, Business Resources Division, Montana Department of Commerce, and ensure disbursement of funds to the (name of Local Development Organization) (LDO) for administrative expenses
 - g. Review and approve all CDBG-ED closeout documents.
- 2. As a sub-grantee, the Project Administrator, (name of Local Development Organization) (LDO), is responsible for the following day to day project activities:
 - a. Coordinating with the (Name of Local Government) for completion of the environmental review process required of each CDBG-ED project considered for funding to assure full compliance with the National and Montana Environmental Policy Acts and the preparation of any legal notices required to be published for the environmental review process and conducting any required public hearings or informational meetings.

- b. Assisting the (Name of Local Government) and the MDOC in developing the (Name of Local Government) contract with the MDOC that will address all requirements related to effective project start-up and implementation. This will include preparation of all management agreements between the (Name of Local Government) and the Project Administrator.
- c. Establishing and maintaining complete and accurate project files and preparing all documentation and reports incidental to administration of the grant
- d. Reviewing all proposed project expenditures or requests for payment from the business to ensure their propriety and proper allocation of expenditures to the CDBG-ED budget.
- e. In cooperation with the (Name of Local Government) project manager, processing quarterly payment requests and preparing drawdown requests to the MDOC, including the Request for Payment and Status of Funds Report and the Project Progress Report
- f. Assuring compliance with applicable civil rights requirements included in the (Name of Local Government)'s adopted equal opportunity plan and fair housing resolution
- g. Preparing all required performance reports and closeout documents for submittal to MDOC and assisting the (Name of Local Government) auditors with the completion of the project's audit requirements
- h. Expending the CDBG-ED funds in a timely fashion in accordance with the project implementation schedule
- i. Monitoring compliance with the requirements of the grant agreement including implementation of the project hiring and training plan, submission of monthly financial statements, and documentation of benefit to low and moderate-income families
- j. Attending (Council or Commissioners) meetings to provide project status reports and representing the CDBG-ED project at any other public meetings as deemed necessary by the (Council or Commissioners)
- k. Developing a means for assisting the ultimate grant recipient with fulfilling the hiring and training plan requirements, including reports to MDOC regarding progress.

C. FINANCIAL MANAGEMENT

- 1. The (Name of Local Government) Clerk will be responsible for:
 - a. Establishing a CDBG-ED bank account and transferring CDBG-ED funds from that account to the (Name of Local Government) treasury for disbursements, based on claims and supporting documents approved by

the Project Manager and (Council or Commissioners). As the (City/Town/County) uses an interest bearing account for its general disbursements a separate non-interest bearing account will be used for CDBG-ED funds. Balances in that account will not exceed \$5,000 for a period of three days. Funds will be transferred to the (name of Local Development Organization) (LDO) account and the (name of Local Development Organization) (LDO) will disperse funds for (describe activity funded).

- b. Entering all project transactions into the (City/Town/County)'s existing accounting system (BARS) and preparing warrants for approved expenditures.
- c. With the assistance of the Project Administrator, preparing the Request for Payment and Status of Funds Reports to be submitted to MDOC. All drawdown requests will be signed by two of the three following persons: (i.e. Mayor, Director of the County Development Office, President of the City Council).
- d. The (i.e. Project Administrator, the County Development Director and/or City Clerk) will review all proposed expenditures of CDBG-ED funds and will prepare drawdown requests, which will be signed by the officials cited above. All disbursements will be made in accordance with the (City/Town/County) established claim review procedures. Before submitting the claim to the (City/Town/County) Clerk, the Project Administrator will attach a certification to each claim stating that the proposed expenditure is an eligible expense of the (City/Town/County) CDBG-ED grant and consistent with the project budget.
- e. With the assistance of the Project Administrator, preparing the final financial report for project closeout.
- f. Financial record keeping will conform to the recommendations of the MDOC/Local Governmental Services Bureau as described in Chapter 4 of the CDBG Grant Administration Manual. The original financial documents (claims with all supporting documents attached) will be retained in the (Name of Local Government) offices.
- g. With oversight and approval from (Name of Local Government), (name of Local Development Organization) (LDO) will administer the project within the framework of its financial procedures manual. These procedures are designed to ensure the efficient and effective administration of federal grants within the constraints of uniform federal compliance requirements as outlined in OMB Circular A-110 and further codified in 24 CFR 570-502 (Revised as of April 1, 1997).
- h. A separate fund for the project will be set up within the general ledger accounts at (name of Local Development Organization) (LDO). All CDBG-ED activities including revenues and administrative expenditures

will be segregated, recorded, and reported in this fund and will be entitled "(Name of Local Government) CDBG-ED Project Fund".

- i. Subsequent draw downs will consist of **administrative payments** from the (Name of Local Government) to the (name of Local Development Organization) (LDO). **Administrative payments will consist of reimbursement for actual time and costs incurred.** The (name of Local Development Organization) (LDO) will prepare the CDBG-ED draw down and attach a copy of a detailed invoice (example on page M-18). Upon review and approval, the (Name of Local Government) will forward the draw down request to the MDOC. The (Name of Local Government) will reimburse the (name of Local Development Organization) (LDO) for eligible administrative expenses upon receipt of funds from the MDOC.
- j. The CDBG-ED project fund will be audited on a yearly basis in conjunction with (Name of Local Government)'s audit, and the audit will be conducted according to OMB Circular A-133.

If (name of Local Development Organization) (LDO) ceases to exist or an event of default occurs, Program Income relating to the CDBG-ED Project, including funds on hand and accounts or notes receivable will revert to the (Name of Local Government).

IN WITNESS WHEREOF, the parties hereto acknowledge that the parties named within are aware of their responsibilities and execute this Agreement on the _____ day of _____, 20__.

PROJECT ADMINISTRATOR:

(Name, Title)
(name of Local Development Organization)

Date

(Name of City, Town or County):

(Name, Title of Elected Official)
(Name of Local Government)

Date

Example of a Local Development Organization's Invoice
(Submitted to the Local Government for
CDBG-ED Administrative Services Payment)

Invoice # XXXXX

PUNXSUTAWNEY ECONOMIC DEVELOPMENT PROJECT

Here-to-Help Staff Project Hours

June-August 2012

<u>Staff</u>	<u>Hours</u>	<u>Activity</u>	<u>Date Performed</u>
Johnson	4.0	Meet w/ city and engineer (200 travel miles)	6/8/12
Williams	2.0	Reviewed Contracts	6/20/12
Williams	3.0	Reviewed Files, Prepared progress report	7/24/12
Johnson	4.0	Meet w/ CDBG-ED rep at project site (200 travel miles)	8/4/12
Williams	2.0	Prepare drawdown #1 and progress report	8/22/12

Total Hours	Williams	7.0
	Johnson	8.0

Williams	7.0 hours @ \$40/hour	\$280.00
Johnson	8.0 hours @ \$60/hour	\$480.00

Travel to City and Project site (400 mi. @ \$.50/mi.)	<u>\$200.00</u>
---	-----------------

Invoice Total: \$960.00

See the attached additional documentation substantiating the charges.

EXHIBIT N
PROGRAM INCOME FLOWCHART - CDBG ED PROGRAM

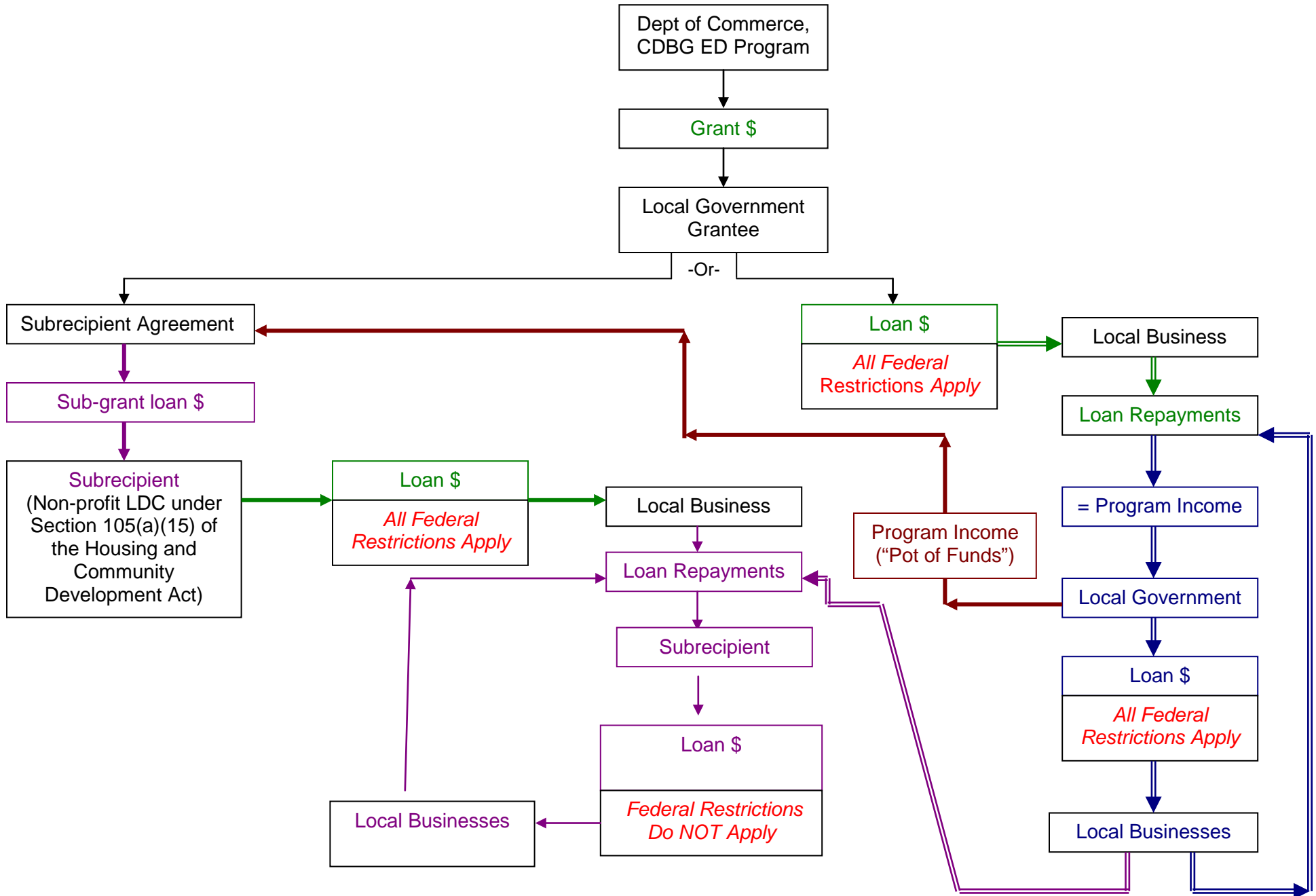


EXHIBIT 8-O

INSTRUCTIONS FOR “REQUEST FOR PAYMENT & STATUS OF FUNDS REPORT”

Section I – Request for Payment (CDBG-ED Recipient Information)

1. MDOC CONTRACT NUMBER: Enter the MDOC contract number as it appears on the contract between the local government and the MDOC
2. DRAWDOWN NUMBER: Number consecutively beginning with “1” for the initial request. Enter the appropriate number and the word “FINAL” for the final request
3. TOTAL AMOUNT REQUESTED: Enter the total amount of the request. *Must be the same as Line 18, Column F, Section II.*
4. NAME AND ADDRESS OF GRANTEE: Enter the name and mailing address of the LOCAL GOVERNMENT grantee (City, Town, or County). The name and address should be exactly the same as the name and address on the “Designation of Depository” form (Exhibit 1-E) submitted to the DOC, if applicable.
5. MAKE DEPOSIT PAYABLE TO: Enter the name of the local government grantee (City, Town, or County). For cities and towns, enter the name and address of the bank as shown on the “Designation of Depository” form (Exhibit 1-E) submitted to the MDOC. For counties, enter the address for the County Treasurer.
6. ACCOUNT NUMBER: Enter the grantee’s bank account number as shown on the “Designation of Depository” form (Exhibit 1-E) submitted to the MDOC (for cities and towns).

SECTION II -- STATUS OF FUNDS (FINANCIAL INFORMATION)

7. COLUMN B, LINES 1 THROUGH 8, ADMINISTRATION AND LINES 11 THROUGH 15, ACTIVITY BUDGET LINE ITEMS: Enter the budget line item names for each Administration and Activity item funded by the CDBG-ED Program as shown on “Attachment B, Budget Form” of the grant contract between the local government grantee and the MDOC. “Activity” line items are the items that for which the business will receive grant or loan funds (e.g., working capital, customized employee training, equipment, etc.)
8. COLUMN C, AMOUNT BUDGETED, LINES 1 THROUGH 8, ADMINISTRATION AND LINES 11 THROUGH 15, ACTIVITY AMOUNT BUDGETED: Enter the dollar amount budgeted for each line item of the Administration and Activity budget funded by the CDBG-ED Program as shown on “Attachment B, Budget Form” of the grant contract between the local government grantee and the MDOC. *Be sure to include the appropriate totals on Lines 9, 16 & 18.*
 - ▶ Note 1: If using the computerized version of this form, additional line items can be added, if necessary, adjusting the subsequent line item numbers as needed.
 - ▶ Note 2: If amending the budget, place an asterisk next to the budget line item name (column B) and type the new amount in Column C. **IMPORTANT**: The Total Administration Budget (line 9), Total Activity Budget (line 16), and Total Grant Budget (line 18) **CANNOT** be increased. Budget adjustments must receive approval from the MDOC. For adjustments of \$5,000 or less between line items, MDOC approval of the Request for Payment form will constitute approval of the budget adjustment. The rationale for budget adjustment must be described in the Project Progress Report. Budget adjustments of more than \$5,000 require prior formal written MDOC approval.
9. COLUMN C, LINES 10 and 17, Percent
 - 9.a Line 10, % of Total Grant: Total on Line 9, Column C (TOTAL ADMINISTRATION

- BUDGET, *divided by* total on Line 18, Column C (TOTAL GRANT BUDGET)
- 9.b Line 17, % of Total Grant: Total on Line 16, Column C (TOTAL ACTIVITY BUDGET), *divided by* total on Line 18, Column C (TOTAL GRANT BUDGET)
10. COLUMN D, EXPENDED PRIOR TO THIS DRAW, LINES 1 THROUGH 8, AND LINES 11 THROUGH 15: Enter the cumulative amount drawn for each line item (the total from all the previous draws.) *Be sure to include the appropriate totals on Lines 9, 16 & 18.*
11. COLUMN D, LINES 10 and 17, Percent
- 11.a Line 10, % of Column C: Total on Line 9, Column D (Total Expended Prior To This Draw), *divided by* total on Line 9, Column C (Total Administration Amount Budgeted)
- 11.b Line 17, % of Column C: Total on Line 16, Column D (Total Expended Prior To This Draw), *divided by* total on Line 16, Column C (Total Activity Amount Budgeted)
12. COLUMN E, BALANCE REMAINING PRIOR TO THIS DRAW, LINES 1 THROUGH 8, AND LINES 11 THROUGH 15: Amounts for each line item in Column C (Amount Budgeted) *minus* the amounts for each line item in Column D (Expended Prior to this Draw). *Be sure to include the appropriate totals on Lines 9, 16 & 18.*
13. COLUMN F, AMOUNT REQUESTED, AND LINES 11 THROUGH 15: Amounts requested for each line item. *Be sure to include the appropriate totals on Lines 9, 16, 18, & 21.* All amounts requested must be supported by appropriate backup documentation. **Documentation for ALL requests for Activity funds must be dated (incurred) on or after the date funds are released by the MDOC.** Documentation for requests for Administration funds must be dated (incurred) on or after the date of the authorization to incur administrative costs.
- 14.a Line 19, CDBG CASH ON HAND: Enter the amount previously requested and received but not expended by the local government, if any
- 14.b Line 20, AMOUNT OF REQUESTS SUBMITTED AND NOT RECEIVED: Enter the amount previously requested by the local government but not received, if any
- 14.c Line 21, TOTAL PREVIOUSLY DRAWN FROM STATE: Enter the total previously drawn from the MDOC. Should be the same as the amount on Line 18, Column D
15. REMARKS: Use this space to briefly clarify any information provided

SECTION III – LOCAL CERTIFICATION

16. **TWO ORIGINAL** authorized signatures from the local government grantee are required, along with the date signed and titles of those signing. These signatures must be exactly as shown on the Signature Certification Form (Exhibit 1-D). **PHOTOCOPIED SIGNATURES ARE NOT ACCEPTABLE.**

SECTION IV – DOC CERTIFICATION

17. Leave blank. For MDOC use. Note: You can use an initial copy of the form as a “master” to avoid unnecessary duplication of information that does not change on subsequent draw requests. Fill in the information for *MDOC Contract Number, Name & Address of Grantee, and Make Deposit Payable To* in Section I and Columns B and C, Lines 1 thru 18 in Section II, then make a photocopy of this “master”. For each subsequent draw request, enter the remaining information on a **copy** of this “master” form. **Submit the signed “original” of the draw request**, retaining a copy for your files.

SAMPLE ECONOMIC DEVELOPMENT PROJECT PROGRESS REPORT

NAME OF COMMUNITY: City of Sunrise
GRANT CONTRACT NUMBER: #MT-CDBG-ED00-01
DRAWDOWN NUMBER: 2
DATE: 03/12/12
TOTAL REQUESTED: **\$127,690.00**

Administration: Total Amount Requested **\$ 2,690.00**

The funds requested for administrative costs in this drawdown are for the following tasks:

1. Personal services for completion of the environmental review (see attached breakdown of hours and activities performed)
5 Hours at \$20.00/hour, including fringe..... \$ 100.00
2. Reimbursement for project related telephone calls, faxes, and postage (see attached breakdown of costs)..... \$ 50.00
3. Reimbursement for project related supplies (see attached breakdown of costs)..... \$ 40.00
4. Quarterly payment to Project Manager in accordance with the agreement between the City and the Project Manager (see attached invoice) \$ 2,500.00

Activity: Total Amount Requested **\$125,000.00**

Construction of the new structure has been completed on schedule and AAA Industries should be relocating to the new building in two weeks. As you are aware, the loan agreement for working capital, equipment, and furniture and fixtures was approved by MDOC and entered into by the City and the company. Documentation of the costs incurred by the company for working capital (\$50,000), equipment (\$50,000), and furniture and fixtures (\$25,000) have been attached to this report and drawdown request. Enclosed is a copy of the company's quarterly financial balance sheet and profit and loss statement. The company will begin hiring low and moderate-income persons for the new jobs being created in three weeks, after the new building is occupied and operations resume. Five new positions will be created in the next month. Those positions will require some on the job training as mentioned in the hiring and training plan.

MONTANA CDBG ED PROGRAM
SAMPLE REQUEST FOR PAYMENT & STATUS OF FUNDS REPORT

SECTION I -- REQUEST FOR PAYMENT (RECIPIENT INFORMATION)					
DOC CONTRACT NUMBER MT-CDBG-ED00-01		DRAWDOWN NUMBER 1		TOTAL AMOUNT REQUESTED \$127,200.00	
NAME AND ADDRESS OF GRANTEE CITY OF SUNRISE 1234 5TH AVE SUNRISE, MT 59000			MAKE DEPOSIT PAYABLE TO: CITY OF SUNRISE ACCOUNT NUMBER: XX-XXXX-XXXX		
SECTION II -- STATUS OF FUNDS (FINANCIAL INFORMATION)					
A Line #	B Budget Line Item	C Amount Budgeted	D Expended Prior To This Draw	E Balance Remaining	F Amount Requested
ADMINISTRATION BUDGET		<small>* INDICATES AMENDMENTS</small>			
1.	Personnel Costs (City or County)	\$ 1,000.00	\$ -	\$ 1,000.00	\$ 500.00
2.	Professional Services (LDO)	200.00	-	200.00	-
3.	Legal Costs	80.00	-	80.00	-
4.	Audit Fees	500.00	-	500.00	500.00
5.	Travel & Training	19,900.00	-	19,900.00	1,200.00
6.	Supplies				
7.	Telephone				
8.	Printing/Dup/Postage				
9.					
10.					
11.	TOTAL ADMINISTRATION BUDGET	\$ 21,680.00	\$ -	\$ 21,680.00	\$ 2,200.00
12.	Percent	% of Total Grant 8.0%	% of Column C 0.0%		
BUSINESS LOANS					
13.	Land Acquisition	75,000.00	-	75,000.00	25,000.00
14.	Machinery/Equipment	150,000.00	-	150,000.00	100,000.00
15.	Working Capital	25,000.00	-	25,000.00	-
16.	Construction/Renovation				
17.					
18.					
19.					
20.	TOTAL ACTIVITY BUDGET	\$ 250,000.00	\$ -	\$ 250,000.00	\$ 125,000.00
21.	Percent	% of Total Grant 92.0%	% of Column C 0.0%		
22.	TOTAL GRANT BUDGET	\$ 271,680.00	\$ -	\$ 271,680.00	\$ 127,200.00
23.	CDBG Cash on Hand		\$ -		
24.	Amount of Requests Submitted and NOT Received		\$ -		
25.	Total Previously Drawn from State		\$ -	TOTAL AMOUNT REQUESTED	\$ 127,200.00
REMARKS					
SECTION III -- LOCAL CERTIFICATION					
DATE December 12, 2000		SIGNATURE Susie J. Smith		TITLE Mayor, City of Sunrise	
DATE <i>12/12/00</i>		SIGNATURE <i>Jon F. Doe</i>		TITLE Finance Manager, City of Sunrise	
SECTION IV -- DOC CERTIFICATION					
Expenditures are reasonable & appropriate _____			Approved by:		
Financial numbers & signatures are correct _____			Title:		
Consistent with preceding draw & SBAS _____			Date:		
Administration does not exceed allowable amount (8%) _____					
Cash on hand does not exceed \$5,000 _____					

MONTANA CDBG ED PROGRAM
SAMPLE REQUEST FOR PAYMENT & STATUS OF FUNDS REPORT

SECTION I -- REQUEST FOR PAYMENT (RECIPIENT INFORMATION)					
DOC CONTRACT NUMBER MT-CDBG-ED00-01		DRAWDOWN NUMBER 2		TOTAL AMOUNT REQUESTED \$127,690.00	
NAME AND ADDRESS OF GRANTEE CITY OF SUNRISE 1234 5TH AVE SUNRISE, MT 59000			MAKE DEPOSIT PAYABLE TO: CITY OF SUNRISE ACCOUNT NUMBER: XX-XXXX-XXXX		
SECTION II -- STATUS OF FUNDS (FINANCIAL INFORMATION)					
A Line #	B Budget Line Item	C Amount Budgeted	D Expended Prior To This Draw	E Balance Remaining	F Amount Requested
ADMINISTRATION BUDGET		* INDICATES AMENDMENTS			
1.	Personnel Costs (City or County)	\$ 1,000.00	\$ 500.00	\$ 500.00	\$ 100.00
2.	Professional Services (LDO)	200.00	-	200.00	50.00
3.	Legal Costs	80.00	-	80.00	40.00
4.	Audit Fees	500.00	500.00	-	-
5.	Travel & Training	19,900.00	1,200.00	18,700.00	2,500.00
6.	Supplies				
7.	Telephone				
8.	Printing/Dup/Postage				
9.					
10.					
11.	TOTAL ADMINISTRATION BUDGET	\$ 21,680.00	\$ 2,200.00	\$ 19,480.00	\$ 2,690.00
12.	Percent	% of Total Grant 8.0%	% of Column C 10.1%		
BUSINESS LOANS					
13.	Land Acquisition	75,000.00	25,000.00	50,000.00	50,000.00
14.	Machinery/Equipment	150,000.00	100,000.00	50,000.00	50,000.00
15.	Working Capital	25,000.00	-	25,000.00	25,000.00
16.	Construction/Renovation				
17.					
18.					
19.					
20.	TOTAL ACTIVITY BUDGET	\$ 250,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00
21.	Percent	% of Total Grant 92.0%	% of Column C 50.0%		
22.	TOTAL GRANT BUDGET	\$ 271,680.00	\$ 127,200.00	\$ 144,480.00	\$ 127,690.00
23.	CDBG Cash on Hand		\$ -		
24.	Amount of Requests Submitted and NOT Received		\$ -		
25.	Total Previously Drawn from State		\$ 127,200.00	TOTAL AMOUNT REQUESTED	\$ 127,690.00
REMARKS					
SECTION III -- LOCAL CERTIFICATION					
DATE March 12, 2001		SIGNATURE Susie J. Smith		TITLE Mayor, City of Sunrise	
DATE <i>03/12/01</i>		SIGNATURE <i>Jon F. Doe</i>		TITLE Finance Manager, City of Sunrise	
SECTION IV -- DOC CERTIFICATION					
Expenditures are reasonable & appropriate _____			Approved by: Title: Date:		
Financial numbers & signatures are correct _____					
Consistent with preceding draw & SBAS _____					
Administration does not exceed allowable amount (8%) _____					
Cash on hand does not exceed \$5,000 _____					

**MONTANA CDBG-ED PROGRAM
REQUEST FOR PAYMENT & STATUS OF FUNDS REPORT**

SECTION I -- REQUEST FOR PAYMENT (RECIPIENT INFORMATION)					
MDOC CONTRACT NUMBER <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 20px; margin: 0 auto; text-align: center;">1.</div>		DRAWDOWN NUMBER <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 20px; margin: 0 auto; text-align: center;">2.</div>		TOTAL AMOUNT REQUESTED <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 20px; margin: 0 auto; text-align: center;">3.</div>	
NAME AND ADDRESS OF GRANTEE <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 20px; margin: 0 auto; text-align: center;">4.</div>			MAKE DEPOSIT PAYABLE TO: <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 20px; margin: 0 auto; text-align: center;">5.</div>		
			ACCOUNT NUMBER: <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 20px; margin: 0 auto; text-align: center;">6.</div>		
SECTION II -- STATUS OF FUNDS (FINANCIAL INFORMATION)					
A Line #	B Budget Line Item	C Amount Budgeted	D Expended Prior To This Draw	E Balance Remaining	F Amount Requested
ADMINISTRATION BUDGET		<small>* INDICATES AMENDMENTS</small>			
1.		\$	\$	\$	\$
2.	<div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 20px; margin: 0 auto; text-align: center;">7.</div>	<div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 20px; margin: 0 auto; text-align: center;">8.</div>	<div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 20px; margin: 0 auto; text-align: center;">10.</div>	<div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 20px; margin: 0 auto; text-align: center;">12.</div>	<div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 20px; margin: 0 auto; text-align: center;">13.</div>
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11. TOTAL ADMINISTRATION BUDGET		\$	\$	\$	\$
12. Percent		% of Total Grant <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 20px; margin: 0 auto; text-align: center;">9.a</div> %	% of Column C <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 20px; margin: 0 auto; text-align: center;">11.a</div> %		
ACTIVITY BUDGET					
13.					
14.					
15.					
16.					
17.					
18.					
19.					
20. TOTAL ACTIVITY BUDGET		\$	\$	\$	\$
21. Percent		% of Total Grant <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 20px; margin: 0 auto; text-align: center;">9.b</div> %	% of Column C <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 20px; margin: 0 auto; text-align: center;">11.b</div> %		
22. TOTAL GRANT BUDGET		\$	\$	\$	\$
23. CDBG Cash on Hand			\$ <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 20px; margin: 0 auto; text-align: center;">14.a</div> -		
24. Amount of Requests Submitted and NOT Received			\$ <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 20px; margin: 0 auto; text-align: center;">14.b</div> -		
25. Total Previously Drawn from State			\$ <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 20px; margin: 0 auto; text-align: center;">14.c</div>	TOTAL AMOUNT REQUESTED	\$
REMARKS					
<div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 20px; margin: 0 auto; text-align: center;">15.</div>					
SECTION III -- LOCAL CERTIFICATION					
DATE		SIGNATURE <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 20px; margin: 0 auto; text-align: center;">16.</div>		TITLE	
DATE		SIGNATURE		TITLE	
SECTION IV -- DOC CERTIFICATION					
Expenditures are reasonable & appropriate _____			<div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 20px; margin: 0 auto; text-align: center;">17.</div> Approved by: Title: Date:		
Financial numbers & signatures are correct _____					
Consistent with preceding draw & SBAS _____					
Administration does not exceed allowable amount _____					
Cash on hand does not exceed \$5,000 _____					

Exhibit 8-P

CDBG-ED Employee Training Tracking Form

Employee Name	New Created Position Y/N	Position Title	Date of Start of Training	Date Training Completed	Type of Training	Cost of Training	Probationary Period Completed? Y/N	Amount of Pay At End of Training
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Employee Name	New Created Position Y/N	Position Title	Date of Start of Training	Date Training Completed	Type of Training	Cost of Training	Probationary Period Completed? Y/N	Amount of Pay At End of Training
---------------	-----------------------------	----------------	------------------------------	----------------------------	------------------	------------------	---------------------------------------	-------------------------------------

Employee Name	New Created Position Y/N	Position Title	Date of Start of Training	Date Training Completed	Type of Training	Cost of Training	Probationary Period Completed? Y/N	Amount of Pay At End of Training
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Employee Name	New Created Position Y/N	Position Title	Date of Start of Training	Date Training Completed	Type of Training	Cost of Training	Probationary Period Completed? Y/N	Amount of Pay At End of Training
---------------	-----------------------------	----------------	------------------------------	----------------------------	------------------	------------------	---------------------------------------	-------------------------------------

Employee Name	New Created Position Y/N	Position Title	Date of Start of Training	Date Training Completed	Type of Training	Cost of Training	Probationary Period Completed? Y/N	Amount of Pay At End of Training
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Employee Name	New Created Position Y/N	Position Title	Date of Start of Training	Date Training Completed	Type of Training	Cost of Training	Probationary Period Completed? Y/N	Amount of Pay At End of Training
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APPENDIX B
LOCAL GOVERNMENT
LOCAL DEVELOPMENT ORGANIZATION
AND BUSINESS APPLICATION CERTIFICATION

As the responsible authorized agents of (Name of Local Government), (Name of Local Development Organization), and (Name of Applicant Business), we hereby submit this Community Development Block Grant - Economic Development Application. The information presented in this application is, to the best of our knowledge, true and accurately represents the proposed project. We understand that additional information and documentation may be required by the Montana Department of Commerce.

(Name of Local Government), has ultimate responsibility as grant applicant for submitting this application with true and accurate information on behalf of (Name of Business). If funded, the (Name of Local Government) has ultimate responsibility for overseeing proper management of the project including compliance with CDBG regulations.

(Name of Local Development Organization), accepts responsibility for submission of true and accurate information in this application submitted by (Name of Local Government) on behalf of (Name of Business).

(Name of Business) accepts responsibility for submission of true and accurate information in this application. If funded, it will accept responsibility for compliance with applicable CDBG regulations and to the provision of benefits and jobs predominately made to low and moderate income persons as specified in this application.

Signature (Local Government)

Typed Name and Title

Date

Signature (Local Development Organization)

Typed Name and Title

Date

Signature (Applicant Business)

Typed Name and Title

Date

APPENDIX C

MONTANA DEPARTMENT OF COMMERCE BUSINESS RESOURCES DIVISION COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

ACCEPTANCE OF CDBG PROGRAM REQUIREMENTS CERTIFICATIONS FOR APPLICATION

Each applicant must agree to comply with all applicable State and federal laws and regulations in implementing their proposed CDBG project, if selected for funding. A copy of the Certifications for Application signed by the chief elected official or executive officer of the applicant and dated within six months of the date of application, must accompany the application for CDBG funds.

Applicants should carefully review these requirements and consider their potential impact when designing their CDBG project. Listed in the following Certifications for Application are the most important federal regulations that apply to projects using CDBG funds. They cover a wide range of issues including environmental impacts, labor standards, employment practices, financial procedures, and civil rights, many of which can have an affect on the costs or complexity of project implementation. Each federal law or regulation is annotated to give the applicant a general understanding of the requirements that must be met. Since this is a brief summary and not intended to be a comprehensive description of each law, local officials who have any questions or concerns regarding the applicability of these requirements should contact the Department of Commerce for guidance.

The local government will comply with all applicable parts of Title I of the Housing and Community Development Act of 1974, as amended, which have not been cited herein as well as with other applicable federal laws and regulations.

The local government will comply with all requirements established by the Department of Commerce and applicable State laws, regulations, and administrative procedures.

The local government accepts the terms, conditions, selection criteria, and procedures established by the Montana Community Development Block Grant (CDBG) Program and expressly waives any statutory or common law right it may have to challenge the legitimacy and propriety of these terms, conditions, criteria, and procedures in the event that it is not selected for an award of CDBG funds.

ACQUISITION, DISPLACEMENT AND RELOCATION

The local government will minimize displacement as a result of activities assisted with CDBG funds and assist persons actually displaced.

The local government will comply with:

- The Uniform Relocation Assistance and Real Property acquisition Policies Act of 1970 (The Uniform Act) as amended, and implementing regulations 49 CFR Part 24 and the requirements of Section 570.496a. These laws and accompanying regulations require the grantee to provide relocation payments and offer relocation assistance to all persons displaced as a result of acquisition of real property for an activity assisted under the CDBG program. Such payments and assistance must be provided in a fair and consistent and equitable manner that ensures that the relocation process does not result in a different or separate treatment of such persons on account of race, color, religion, national origin, sex, source of income, age, handicap, or familial status (families with children). The grantee must assure that, within a reasonable period of time prior to displacement, decent, safe and sanitary replacement dwellings will be available to all displaced families and individuals and that the range of choices available to such persons will not vary on account of their race, color, religion, national origin, sex, source of income, age, handicap, or familial status (families with children); and
- The grantee must also inform affected persons of their rights and of the acquisition policies and procedures set forth in the regulations of 49 CFR, Part 24, Subpart B.
- The Anti-displacement and Relocation Assistance Plan adopted by the Montana Department of Commerce for the Montana CDBG program.

ASSESSMENTS FOR PUBLIC IMPROVEMENTS

The local government will not attempt to recover any capital costs of public improvements assisted in whole or part with CDBG funds by assessing any amount against properties owned and occupied by persons of low and moderate income, including any fee charged or assessment made as a condition of obtaining access to such public improvements, unless:

- a. CDBG funds are used to pay the proportion of such fee or assessment that relates to the capital costs of such public improvements that are financed from revenue sources other than CDBG funds; or,
- b. for purposes of assessing any amount against properties owned and occupied by persons of low and moderate income who are not persons of very low income, the applicant certifies that it lacks sufficient CDBG funds to comply with the requirements of clause a, above.

BUILDING STANDARDS

The local government will require every building or facility (other than a privately owned residential structure) designed, constructed, or altered with funds provided under the Montana CDBG Program to comply with the "American Standard Specifications for Making Buildings and Facilities Accessible to, and Usable by, the Physically Handicapped," Number A-117.1R 1971, subject to the exceptions contained in CFR 101-19.604. It will also comply with the Architectural Barriers Act of 1968 and HUD regulations 24 CFR Part 8,

"Nondiscrimination Based on Handicap in Federally Assisted Activities of HUD". The applicant will be responsible for conducting inspections to insure compliance with these specifications by the contractor; and will comply with HUD Cost-Effective Energy Standards, 24 CFR Part 39.

CITIZEN PARTICIPATION

The local government will comply with the detailed Citizen Participation Plan adopted by the Montana Department of Commerce for the Montana CDBG program.

CIVIL RIGHTS, EQUAL OPPORTUNITY, AND FAIR HOUSING REQUIREMENTS

Civil Rights

The local government will comply with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.), and the regulations issued pursuant thereto (24 CFR Part 1), which provides that no person in the United States shall on the grounds of race, color, or national origin, be excluded from participation in, be denied in the benefits of, or be otherwise subjected to discrimination under any program or activity for which the applicant received Federal financial assistance and will immediately take any measures necessary to effectuate this assurance. If any real property or structure thereon is provided or improved with the aid of Federal financial assistance extended to the applicant, this assurance shall obligate the applicant, or in the case of any transfer of such property, any transferee, for the period during which the real property or structure is used for a purpose for which the Federal financial assistance is extended, or for another purpose involving the provision of similar services or benefits.

Equal Opportunity

The local government will comply with:

- Section 109 of the Housing and Community Development Act of 1974 as amended, and the regulations issued pursuant thereto (24 CFR 570.601), which provides that no person in the United States shall, on the grounds of race, color, national origin, or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in whole or in part with funds provided under the Act;
- The Age Discrimination Act of 1975, as amended (42 U.S.C. 6101 et seq.). The act provides that no person shall be excluded from participation, denied program benefits or subjected to discrimination on the basis of age under any program or activity receiving federal funding assistance;
- Section 504 of the Rehabilitation Act of 1973, amended (29 U.S.C. 794). The act provides that no otherwise qualified individual shall, solely, by reason of his or her handicap, be excluded from participation (including employment), denied program

benefits or subjected to discrimination under any program or activity receiving federal assistance funds;

- Section 3 of the Housing and Community Development Act of 1968 (12 U.S.C. 170/u) (24 CFR Part 135). Section 3 of the Housing and Urban Development Act of 1968 requires, in connection with the planning and carrying out of any project assisted under the Act, to the greatest extent feasible, opportunities for training and employment be given to lower-income persons residing within the unit of local government or the non-metropolitan county in which the project is located, and contracts for work in connection with the project be awarded to eligible business concerns which are located in, or owned in substantial part, by persons residing in the project area. The grantee must assure good faith efforts toward compliance with the statutory directive of Section 3; and
- Executive Order 11246, as amended by Executive Orders 11375 and 12086, and the regulations issued pursuant thereto (24 CFR Part 130 and 41 CFR Chapter 60) prohibit a CDBG recipient and subcontractors, if any, from discriminating against any employee or applicant for employment because of race, color, religion, sex or national origin. The grantee and subcontractors, if any, must take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action must include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rate of pay or other forms of compensation; and selection for training, including apprenticeship. The grantee and subcontractors must post in conspicuous places, available to employees and applicants for employment, notices to be provided setting for the provisions of this nondiscrimination clause. For contracts over \$10,000 the grantee or subcontractors will send to each applicable labor union a notice of the above requirements, the grantee and subcontractors will comply with relevant rules, regulations and orders of the U.S. Secretary of Labor. The grantee or subcontractors must make their books and records available to State and federal officials for purposes of investigation to ascertain compliance.

Fair Housing

The local government will affirmatively further fair housing and will comply with:

- Title VIII of the Civil Rights Act of 1968 (also known as The Fair Housing Act) (42 U.S.C. 3601 et seq.), as amended by the Fair Housing Amendments Act of 1988 and the regulations issued pursuant thereto. The law states that it is the policy of the United States prohibiting any person from discriminating in the sale or rental of housing, the financing of housing, or the provision of brokerage services, including in any way making unavailable or denying a dwelling to any person, because of race, color, religion, sex, national origin, handicap, or familial status. CDBG grantees must also administer programs and activities relating to housing and community development in a manner that affirmatively promotes fair housing and

further the purposes of Title VIII; and

- Executive Order 11063, as amended by Executive Order 12259, requires CDBG recipients to take all actions necessary and appropriate to prevent discrimination because of race, color, religion, creed, sex or national origin; in the sale, leasing, rental and other disposition of residential property and related facilities (including land to be developed for residential use); or in the use or occupancy thereof if such property and related facilities are, among other things, provided in whole or in part with the aid of loans, advances, grants or contributions from the federal government.

Prohibition of Discrimination on Basis of Religion

The local government will comply with section 109(a) of the Housing and Community Development Act which prohibits discrimination on the basis of religion or religious affiliation. No person will be excluded from participation in, denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with CDBG funds on the basis of his or her religion or religious affiliation.

Prohibition of Excessive Force

The local government will, if awarded CDBG funds, adopt and enforce a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in nonviolent civil rights demonstrations in accordance with Section 104(1) of the Housing and Community Development Act, as amended.

CONFLICT OF INTEREST

The local government will comply with the provisions of 24 CFR 570.611 and with sections 2-2-125, 2-2-201, 7-3-4367, 7-5-2106, and 7-5-4109, MCA, (as applicable) regarding the avoidance of conflict of interest.

ENVIRONMENTAL REQUIREMENTS

Air Quality

The local government will comply with the Clean Air Act (42 U.S.C. 7401, et seq.) which prohibits engaging in, supporting in any way or providing financial assistance for, licensing or permitting, or approving any activity which does not conform to the State implementation plan for national primary and secondary ambient air quality standards.

Environmental Impact

The local government will comply with:

- Section 104(f) of the Housing and Community Development Act of 1974, as amended through 1981. This section expresses the intent that "the policies of the

National Environmental Policy Act of 1969 and other provisions of law which further the purposes of such Act be most effectively implemented in connection with the expenditure of funds under" the Act. Such other provisions of law which further the purpose of the National Environmental Policy Act of 1969 are specified in regulations issued pursuant to Section 104(f) of the Act and contained in 24 CFR Part 58; and

- The National Environmental Policy Act of 1969 (42 U.S.C. Section 4321, et seq. and 24 CFR Part 58). The purpose of this Act is to attain the widest use of the environment without degradation, risk to health or safety or other undesirable and unintended consequences. Environmental review procedures are a necessary part of this process. Pursuant to these provisions, the grantee must also submit environmental certifications to the Department of Commerce when requesting that funds be released for the project. The grantee must certify that the proposed project will not significantly impact the environmental regulations and fulfilled its obligations to give public notice of the funding request, environmental findings and compliance performance.

The local government's chief executive officer or other officer of the applicant approved by the State:

1. consents to assume the status of responsible federal official under the National Environmental Policy Act of 1969 (NEPA) and other provisions of federal law, as specified in 24 CFR Part 58, which further the purposes of NEPA, insofar as the provisions of such federal law apply to the Montana Community Development Block Grant Program; and
2. is authorized and consents on behalf of the applicant and himself to accept the jurisdiction of the Federal courts for the purpose of enforcement of his responsibilities as such an official.

EPA List of Violating Facilities

The local government will ensure that the facilities under its ownership, lease or supervision which shall be utilized in the accomplishment of the program are not listed on the U.S. Environmental Protection Agency's (EPA) List of Violating Facilities and that it will notify the Department of Commerce of the receipt of any communication from the Director of the EPA Office of Federal Activities indicating that a facility to be used in the project is under consideration for listing by EPA.

Farmlands Protection

The local government will comply with the Farmlands Protection Policy Act of 1981 (7 U.S.C. 4202, et seq.) and any applicable regulations (7 CFR Part 658) which established compliance procedures for any federally assisted project which will convert farmlands designated as prime, unique or statewide or locally important, to non-agricultural uses.

Floodplain Management and Wetlands Protection

The local government will comply with:

- the Flood Disaster Protection Act of 1973, Public Law 93-234, 87 Stat. 975, approved December 31, 1973. Section 102(a) required, on and after March 2, 1974, the purchase of flood insurance in communities where such insurance is available as a condition for the receipt of any federal financial assistance for construction or acquisition purposes for use in any area that has been identified by the Secretary of the Department of Housing and Urban Development as an area having special flood hazards. The phrase "Federal financial assistance" includes any form of loan, grant, guaranty, insurance payment, rebate, subsidy, disaster assistance loan or grant, or any other form of direct or indirect Federal assistance;
- Executive Order 11988, May 24, 1978: Floodplain Management (42 F.R. 26951, et seq.). The intent of this Executive Order is to (1) avoid, to the extent possible, adverse impacts associated with the occupancy and modification of floodplains and (2) avoid direct or indirect support of floodplain development wherever there is a practical alternative. If a grantee proposes to conduct, support or allow an action to be located in the floodplain, the grantee must consider alternatives to avoid adverse effects and incompatible involvement in the floodplains. If siting in a floodplain is the only practical alternative, the grantee must, prior to taking any action: (1) design or modify its actions in order to minimize a potential harm to the floodplain; and (2) prepare and circulate a notice containing an explanation of why the action is proposed to be located in a floodplain; and
- Executive Order 11990, May 24, 1977: Protection of Wetlands (42 F.R. 26961, et seq.). The intent of this Executive Order is to avoid adverse impacts associated with the destruction or modification of wetlands and direct or indirect support of new construction in wetlands, wherever there is a practical alternative. The grantee must avoid undertaking or providing assistance for new construction located in wetlands unless there is no practical alternative to such construction and the proposed action includes all practical measures to minimize harm to wetlands which may result from such use.

Historic Preservation

The local government will comply with:

- Section 106 of the National Historic Preservation Act of 1966 (16 U.S.C. 470, as amended) through completion of the procedures outlined in 36 CFR 800 and 36 CFR 63. Compliance with these procedures should include:
 1. consulting with the State Historic Preservation Office (SHPO) to identify properties listed in or eligible for inclusion in the National Register of Historic

Places that exist with a proposed CDBG project's area of potential environmental impact, and/or to determine the need for professional archaeological, historical, or architectural inventory of potentially affected properties to determine whether they would qualify for register listing; and

2. consulting, as needed with the SHPO, Keeper of the National Register of Historic Places, and the Advisory Council on Historic Preservation to evaluate the significance of historic or prehistoric properties which could be affected by CDBG work and to determine how to avoid or mitigate adverse effects to significant properties from project work.

Lead-Based Paint

The local government will comply with Title IV of the Lead-based Paint Poisoning Prevention Act (42 U.S.C. 4831), which prohibits the use of lead-based paint in residential structures constructed or rehabilitated with federal assistance of any kind.

Noise, Facility Siting

The local government will comply with HUD Environmental Standards (24 CFR, Part 51, Environmental Criteria and Standards and 44 F.R. 40860-40866, July 12, 1979) which prohibits HUD support for most new construction of noise-sensitive uses in general for projects with unacceptable noise exposures is discouraged for projects with normally unacceptable noise exposure. Additionally projects may not be located near facilities handling materials of an explosive or hazardous nature, or in airport clear zones.

Solid Waste

The local government will comply with the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Section 6901, et seq.). The purpose of this Act is to promote the protection of health and the environment and to conserve valuable material and energy resources.

Water Quality

The local government will comply with:

- the Safe Drinking Water Act of 1974 (42 U.S.C. Section 201, 300(f) et seq. and U.S.C. Section 349), as amended, particularly Section 1424(e) (42 U.S.C. Section 300H-303(e)) which is intended to protect underground sources of water. No commitment for federal financial assistance can be entered into for any project which the U.S. Environmental Protection Agency determines may contaminate an aquifer which is the sole or principal drinking water source for an area; and
- the Federal Water Pollution Control Act of 1972, as amended, including the Clear Water Act of 1977, Public Law 92-212 (33 U.S.C. Section 1251, et seq.) which

provides for the restoration and maintenance of the chemical, physical and biological integrity of the nation's water.

Wildlife

The local government will comply with:

- the Endangered Species Act of 1973, as amended (16 U.S.C. 1531 et seq.). The intent of this Act is to ensure that all federally assisted projects seek to preserve endangered or threatened species. Federally authorized and funded projects must not jeopardize the continued existence of endangered and threatened species or result in the destruction or modification of habitat of such species which is determined by the U.S. Department of the Interior, after consultation with the state, to be critical; and
- the Fish and Wildlife Coordination Act of 1958, as amended, (U.S.C. 661 et seq.) which requires that wildlife conservation receives equal consideration and is coordinated with other features of water resource development programs.

Wild and Scenic Rivers

The local government will comply with the Wild and Scenic Rivers Act of 1968, as amended (16 U.S.C. 1271, et seq.). The purpose of this Act is to preserve selected rivers or sections of rivers in their free-flowing condition, to protect the water quality of such rivers and to fulfill other vital national conservation goals. Federal assistance by loan, grant, license or other mechanism can not be provided to water resources construction projects that would have a direct and adverse effect on any river included or designated for study or inclusion in the National Wild and Scenic River System.

Executive Order 12898, Environmental Justice: This project is in compliance with 24 CFR Part 1 B, C and D and is not located in a special flood hazard area. It has been determined that this project will not have a disproportionately high and adverse human health or environmental effect on minority and or low-income populations. This project will not exclude participation in or deny benefits to people because of their race, color or national origin.

FINANCIAL MANAGEMENT

The local government will comply with the applicable requirements of:

- OMB Circular A-87, "Cost Principles for State and Local Governments," as specified by the Department of Commerce;
- HUD "Administrative Requirements for Grant and Operative Agreements to State, Local, and Federally-Recognized Indian Tribal Governments," (24 CFR, Part 85), or any equivalent procedures and requirements that the Montana Department of

Commerce may prescribe. The HUD Administrative Requirements are the basis for a number of specific requirements on the financial management and record keeping of CDBG funds. The requirements apply to cash depositories, bonding and insurance, record keeping, program income, property management, procurement, closeout, audit, and other requirements; and

- The Single Audit Act of 1984, as amended by the Single Audit Act of 1996 (the ☐Single Audit Act Amendments”), which establishes criteria for determining the scope and content of the audits and OMB Circular A-133, Federal Financial Management Systems, Governmental and Non-Profit Organizations, revised June 24, 1997. (OMB Circular A-133 supersedes OMB Circular A-128, ☐Audits of S which has been rescinded.)

The local government will promptly refund to the Montana Department of Commerce any CDBG funds determined by an audit to have been spent in an unauthorized or improper manner or for ineligible activities.

The local government will give the Montana Department of Commerce, the Montana Legislative Auditor, HUD, and the Comptroller General, through any authorized representatives, access to and the right to examine all records, books, papers, or documents related to the grant.

LABOR STANDARDS

The local government will comply with:

- Section 110 of the Housing and Community Development Act of 1975, as amended, 24 CFR 570.605, and State regulations regarding the administration and enforcement of labor standards. Section 110 requires that all laborers and mechanics employed by contractors or subcontractors on construction work assisted under the Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276-1- 276a-5). By reason of the foregoing requirement the Contract Work Hours and Safety Standards Act (40 U.S.C. 327 et seq.) also applies. However, these requirements apply to rehabilitation of residential property only if such property is designed for residential use for eight or more families;
- Davis-Bacon Act, as amended (40 U.S.C. et seq.), Section 2; June 13, 1934, as amended (48 Stat. 948.40 U.S.C. 276(c)), popularly known as the Copeland Anti-Kickback Act. The Act mandates that all laborers and mechanics be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account except "permissible" salary deductions, the full amounts due at the time of payments, computed at wage rates not less than those contained in the wage determination issued by the U.S. Department of Labor. Weekly compliance statements and payrolls are required to be submitted to the

federally-funded recipient by the contractor;

- Contract Work Hours and Safety Standards Act (40 U.S.C. 327 et seq.). According to the Act, no contract work may involve or require laborers or mechanics to work in excess of eight hours in a calendar day, or in excess of 40 hours in a work week, unless compensation of not less than one and one-half times the basic rate is paid for the overtime hours. If this Act is violated, the contractor or subcontractor is liable to any affected employee for unpaid damages as well as to the United States for liquidated damages; and
- Federal Fair Labor Standards Act, (29 U.S.C.S. 201 et seq.). The act requires that covered employees be paid at least the minimum prescribed wage, and also that they be paid one and one-half times their basic wage rate for all hours worked in excess of the prescribed workweek.

LEGAL AUTHORITY

The local government possesses legal authority to apply for the grant and to execute the proposed project under Montana law and, if selected to receive a Community Development Block Grant, will make all efforts necessary to assure timely and effective implementation of the project activities described in the attached application.

LOBBYING

The local government certifies that:

- No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.
- If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influencing an officer or employee or any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
- The undersigned shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all

sub-recipients shall certify and disclose accordingly.

- This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

POLITICAL ACTIVITY

The local government will comply with the Hatch Act (5 U.S.C. 1501, et seq.; 5 CFR Part 151) which restricts the political activity of individuals principally employed by a state or local agency in connection with a program financed in whole or in part by federal loans or grants. An affected employee may not be a candidate for public office in a partisan election.

AUTHORIZATION TO SUBMIT APPLICATION

The local government governing body has duly adopted or passed as an official act a resolution, motion or similar action authorizing the submission of the application, including all understandings and assurances contained herein, and directing and authorizing the signatory to act in connection with the application and to provide such additional information as may be required.

Signature, Chief Elected Official
(or Executive Officer)

Name (typed or printed)

Title

Date

APPENDIX D

STATE OBJECTIVES FOR THE MONTANA DEPARTMENT OF COMMERCE BUSINESS RESOURCES DIVISION COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

The State of Montana will focus on the following objectives:

- Invest in the workforce
- Encourage and support entrepreneurship and business innovation
- Build and maintain local infrastructure and capacity; and
- Strengthen the state's fiscal capability to assist in these areas

The CDBG economic development program is one of several MDOC finance and technical assistance programs that are participating in meeting these needs based on the Program's following four economic development objectives. Please choose one or more of the following objectives that apply to your project:

Economic Development

- ___ 1. Encourage viable economic development projects that promote investment of private capital, expansion of local tax bases, and creation of permanent year-round jobs principally for low and moderate income Montanans.
- ___ 2. Encourage economic activity, which adds value to a product through manufacturing, refining, processing, or packaging, especially those activities that involve Montana's natural resources.
- ___ 3. Encourage economic activity which creates new wealth in Montana by selling the majority of its products outside of Montana, by effectively substituting goods previously produced outside of Montana with goods produced in Montana, or by distributing Montana-made goods.
- ___ 4. Encourage service companies such as consulting, engineering, or other companies that sell their services predominantly (greater than 50%) outside of Montana.

REQUIRED NARRATIVE:

Please provide a description of how the proposed project will meet the selected goals (use additional sheets of paper if necessary):

APPENDIX E

FULL ENVIRONMENTAL CHECKLIST FOR CDBG ECONOMIC DEVELOPMENT APPLICATIONS

All CDBG projects are subject to the National Environmental Policy Act and the Montana Environmental Policy Act. Both laws seek to avoid adverse impacts on the environment by mandating careful consideration of the potential impacts on any development assisted with federal funds or approved by a state agency. In addition, CDBG projects are subject to numerous other state and federal environmental laws. Applicants are encouraged to be sensitive to potential environmental impacts while their CDBG projects are first being planned in order to avoid problems, which could create delays, add to construction costs, or even prevent a project from being implemented. The following environmental checklist has been created for applicants to help them avoid or mitigate potential environmental impacts.

Instructions for Completing the Environmental Checklist **For Montana Economic Development Projects**

The CDBG Certifications for Application form contains a listing of the major federal environmental statutes and regulations, which will apply to all CDBG funded projects. Local officials who have any concerns or questions regarding the potential environmental impacts of their proposed CDBG project or the environmental requirements should contact MDOC for guidance in advance of submitting their application for CDBG funds.

The Environmental Checklist form includes a listing of subject areas relating to potential impacts on the physical or human environment. Applicants must evaluate the potential impact of their project as it relates to each subject area. This may involve an analysis of the impact on a subject area from the proposed project, or conversely, the potential impact on the project from a subject area. For example, a proposed building renovation project may have an effect on certain historic structures, or the existence of a floodplain could have an effect on the location of a proposed, new production facility.

Five potential impacts are listed on the form:

1. **N** - No Impact Anticipated;
2. **B** - Potentially Beneficial Impact;
3. **A** - Potentially Adverse Impact;
4. **P** - Agency Approval or Permits Required; and
5. **M** - Mitigation Actions Required.

A space is provided next to each subject area that is to be filled in using at least one of the letters found in the key at the top of each page. The key represents the five alternatives listed above. In some cases, it may be appropriate for the applicant to indicate more than a single alternative. For example, if a potentially adverse impact has been identified, an agency approval or permit may also be required. If impacts on a subject area are

anticipated, the applicant must describe the situation in the “comments” section of this form. **Applicants must identify the sources which were consulted to assess the potential impact on or from the project for each subject area. Sources can include studies, plans, documents or the persons, organizations, or agencies contacted. This documentation must be included in the applicant’s files. “Not Applicable” is not allowed as a response. If this is used, HUD will assume this item has not been reviewed or considered. Use “No Impact”, and state why there is no impact and the source used to determine there is no impact.** MDOC staff will review the applicant’s environmental file during a site visit.

Where a potentially adverse impact is projected, the applicant must provide:

1. a description and analysis of any reasonable alternatives and a justification for the selected alternative; and
2. a listing and evaluation of appropriate short and long-term measures to mitigate the potentially adverse impact.

In most cases, applicants will be able to simply provide a brief response to the categories listed. Environmental information and assistance in preparing the environmental checklist can be obtained from a wide variety of sources. Possible sources of information include local comprehensive plans, preliminary engineering studies, state or federal reports or environmental analyses, knowledgeable individuals in the community, local agencies such as the planning or environmental health office, historical society, conservation district, state agencies (such as the Montana Departments of Fish, Wildlife and Parks or Department of Environmental Quality), and federal agencies such as local offices of the U.S.D.A. Natural Resource & Conservation Service. Should the applicant have questions regarding what agency to contact for additional information pertaining to a particular subject area, they may call the Montana Environmental Quality Council for assistance at (406) 444-3742.

→ Additional information can be obtained through HUD’s “Environmental Review Procedures and Regulations for Entities assuming HUD Environmental Responsibilities” training. For more information on environmental training, please contact CDBG staff.

For infrastructure or construction projects, a professional licensed engineer must complete the full environmental checklist.

FULL ENVIRONMENTAL CHECKLIST FOR CDBG ECONOMIC DEVELOPMENT APPLICATIONS

Applicant:

Local Government:

Environmental Checklist Prepared By: _____

Signature of Preparer

(Name and Title)

(Address)

Proposed Use of CDBG-ED funds:

Please provide narrative in this space detailing what the CDBG-ED funds will be used for (e.g. working capital, equipment purchase, etc.)

Telephone Number:

Fax Number:

Key Letter: N - No Impact; B - Potentially Beneficial; A - Potentially Adverse; P - Approval/Permits Required; M - Mitigation Required	
PHYSICAL ENVIRONMENT	
Key _____	1. Soil Suitability, Topographic and/or Geologic Constraints (e.g., soil lump, steep slopes, subsidence, seismic activity) <i>Comments and Source of Information:</i> Potential sources for information: Natural Resource Conservation Service http://nris.mt.gov/nrcs/soils/index.asp Montana Bureau of Mines and Geology http://www.mbm.mtech.edu/ United States Geologic Survey http://www.usgs.gov/hazards

<p>Key</p> <hr/>	<p>2. Hazardous Facilities (e.g., power lines, toxic chemicals and gases, hazardous materials, contamination, radioactive substances, acceptable distance from explosive and flammable operations and hazards including chemical/petrochemical storage tanks, underground fuel storage tanks, and related facilities such as natural gas storage facilities and propane storage tanks,)</p> <ul style="list-style-type: none"> • 24 CFR Part 58.5(i)(2)(i) regulation • 24 CFR Part 51B regulations <p><i>Comments and Source of Information:</i></p> <p>Potential sources for information: Montana Department of Environmental Quality Hazardous Waste Program http://deq.mt.gov/hazwaste/default.mcp Montana Department of Environmental Quality Underground Tank Program http://deq.mt.gov/ust/default.mcp Montana Department of Environmental Quality Interactive Maps http://deq.mt.gov/rem/interactivemaps.mcp Environmental Protection Agency EnviroFacts http://www.epa.gov/enviro/index.html Local Power Company</p>
<p>Key</p> <hr/>	<p>3. Effects of Project on Surrounding Air Quality or Any Kind of Effects of Existing Air Quality on Project (e.g., dust, odors, emissions)</p> <ul style="list-style-type: none"> • Clean Air Act of 1970 • 40 CFR Parts 6, 51, & 93 regulations <p><i>Comments and Source of Information:</i></p> <p>Potential sources for information: Montana Department of Environmental Quality Air Resources Management Bureau http://deq.mt.gov/pcd/arm/default.mcp Environmental Protection Agency EnviroFacts http://www.epa.gov/enviro/index.html County Health Department</p>

<p>Key</p> <hr/>	<p>4. Ground Water Resources and Aquifers (e.g., quantity, quality, distribution, depth to ground water, sole source aquifers)</p> <ul style="list-style-type: none"> • <i>Safe Drinking Water Act of 1974</i> • <i>40 CFR Part 149 regulations</i> <p><i>Comments and Source of Information:</i></p> <p>Potential sources for information: Montana Bureau of Mines and Geology Ground Water Assessment Program http://www.mbmgt.mtech.edu/grw/grwassessment.asp Montana Department of Environmental Quality Water Quality Information http://www.deq.mt.gov/wqinfo/default.mcp</p>
<p>Key</p> <hr/>	<p>5. Surface Water, Water Quality, Quantity and Distribution (e.g., streams, lakes, storm runoff, irrigation systems, canals, Wild and Scenic Rivers listing)</p> <ul style="list-style-type: none"> • <i>Wild and Scenic Rivers Act of 1968</i> <p><i>Comments and Source of Information:</i></p> <p>Potential sources for information: Natural Resource Information System http://nris.state.mt.us/wis/data/surfacewater.htm U.S. Geological Survey Water Resources http://mt.water.usgs.gov/ Montana Department of Environmental Quality Water Quality Information http://www.deq.mt.gov/wqinfo/default.mcp National Wild and Scenic Rivers System http://www.rivers.gov/wildriverslist.html#mt</p>
<p>Key</p> <hr/>	<p>6. Floodplains and Floodplain Management</p> <ul style="list-style-type: none"> • <i>Executive Order 11988</i> • <i>24 CFR Part 55 regulations</i> <p><i>Comments and Source of Information:</i></p> <p>Potential sources for information: Montana Department of Natural Resources and Conservation Floodplain Management http://dnrc.mt.gov/wrd/water_op/floodplain/default.asp U.S. Geological Survey Water Resources http://mt.water.usgs.gov/ Federal Emergency Management Agency http://www.msc.fema.gov/</p>

<p>Key</p> <hr/>	<p>7. Wetlands Protection</p> <ul style="list-style-type: none"> • <i>Executive Order 11990</i> <p><i>Comments and Source of Information:</i></p> <p>Potential sources for information: Natural Resource Information System http://nris.state.mt.us/wis/wetlands/ redirects to http://deq.mt.gov/wqinfo/wetlands/default.mcp Montana Department of Environmental Quality http://www.deq.mt.gov/wqinfo/wetlands/default.mcp U.S. Fish and Wildlife Service http://www.fws.gov/wetlands/ Environmental Protection Agency http://www.epa.gov/owow/wetlands</p>
<p>Key</p> <hr/>	<p>8. Agricultural Lands, Production, and Farm Land Protection (e.g., grazing, forestry, cropland, prime or unique agricultural lands)</p> <ul style="list-style-type: none"> • <i>Farmland Protection Policy Act of 1981</i> • <i>7 CFR Part 658 regulations</i> <p><i>Comments and Source of Information:</i></p> <p>Potential sources for information: Montana Department of Agriculture http://agr.mt.gov Montana Agricultural Statistics Service http://www.nass.usda.gov/Statistics_by_State/Montana/index.asp</p>
<p>Key</p> <hr/>	<p>9. Vegetation and Wildlife Species and Habitats, Including Fish (e.g., terrestrial, avian and aquatic life and habitats)</p> <p><i>Comments and Source of Information:</i></p> <p>Potential sources for information: Montana Natural Heritage Program http://mtnhp.org/</p>
<p>Key</p> <hr/>	<p>10. Unique, Endangered, Fragile, or Limited Environmental Resources, Including Endangered Species (e.g., plants, fish, or wildlife)</p> <ul style="list-style-type: none"> • <i>Endangered Species Act of 1973</i> <p><i>Comments and Source of Information:</i> Potential sources for information: Montana Natural Heritage Program http://mtnhp.org/</p>

Key <hr/>	11. Unique Natural Features (e.g., geologic features) <i>Comments and Source of Information:</i> Potential sources for information: Montana Natural Heritage Program http://mtnhp.org/ Montana Bureau of Mines and Geology http://www.mbmgs.mtech.edu
Key <hr/>	12. Access to, and Quality of, Recreational and Wilderness Activities, Public Lands and Waterways, and Public Open Space <i>Comments and Source of Information:</i> Potential sources for information: Discovering Montana http://mt.gov/tourism/recreation.asp Montana Fish, Wildlife and Parks http://fwp.mt.gov/ U.S. Government Recreation Site http://www.recreation.gov/
HUMAN POPULATION	
Key <hr/>	1. Visual Quality - Coherence, Diversity, Compatibility of Use and Scale, Aesthetics <i>Comments and Source of Information:</i> Potential sources for information: Local Planning Department
Key <hr/>	2. Nuisances (e.g., glare, fumes) <i>Comments and Source of Information:</i> Potential sources for information: Local Planning Department County Health Department
Key <hr/>	3. Noise Abatement and Control - suitable separation between housing and other noise sensitive activities and major noise sources (aircraft, highways and railroads.) <ul style="list-style-type: none"> • 24 CFR Part 51B regulations <i>Comments and Source of Information:</i> Potential sources for information: Local Planning Department

<p>Key</p> <p>_____</p>	<p>4. Historic Properties, Cultural, and Archeological Resources</p> <ul style="list-style-type: none"> • 36 CFR Part 800 regulations • National Historic Preservation Act of 1966 • Executive Order 11593, Protection and Enhancement of the Cultural Environment <p><i>Comments and Source of Information:</i></p> <p>Potential sources for information: Montana Historic Preservation Office http://www.his.state.mt.us/shpo/default.asp</p>
<p>Key</p> <p>_____</p>	<p>5. Changes in Demographic (Population) Characteristics (e.g., quantity, distribution, density)</p> <p><i>Comments and Source of Information:</i></p> <p>Potential sources for information: Montana Department of Commerce Census and Economic Information Center http://ceic.mt.gov/</p>
<p>Key</p> <p>_____</p>	<p>6. General Housing Conditions - Quality, Quantity, Affordability</p> <p><i>Comments and Source of Information:</i></p> <p>Potential sources for information: Montana Department of Commerce Housing Division http://housing.mt.gov/default.aspx Montana Association of Realtors http://montanarealtors.org</p>
<p>Key</p> <p>_____</p>	<p>7. Displacement or Relocation of Businesses or Residents</p> <p><i>Comments and Source of Information:</i></p> <p>Potential sources for information: Montana Department of Commerce Census and Economic Information Center http://ceic.mt.gov/ Local Chamber of Commerce</p>
<p>Key</p> <p>_____</p>	<p>8. Public Health and Safety</p> <p><i>Comments and Source of Information:</i></p> <p>Potential sources for information: County Health Department</p>

Key <hr/>	9. Local Employment and Income Patterns - Quantity and Distribution of Employment, Economic Impact <i>Comments and Source of Information:</i> Potential sources for information: Montana Department of Labor and Industry Research and Analysis Bureau http://www.ourfactsyourfuture.org/ Montana Department of Commerce Census and Economic Information Center http://ceic.mt.gov/
Key <hr/>	10. Local and State Tax Base and Revenues <i>Comments and Source of Information:</i> Potential sources for information: Montana Department of Revenue http://www.revenue.mt.gov/default.mcp.x
Key <hr/>	11. Educational Facilities - Schools, Colleges, Universities <i>Comments and Source of Information:</i> Potential sources for information: Montana Office of Public Instruction http://www.opi.mt.gov/ University of Montana Campuses http://www.mus.edu/campuses.asp
Key <hr/>	12. Commercial and Industrial Facilities - Production and Activity, Growth or Decline <i>Comments and Source of Information:</i> Potential sources for information: Montana Department of Commerce Census and Economic Information Center http://ceic.mt.gov/ Local Chamber of Commerce
Key <hr/>	13. Health Care - Medical Services <i>Comments and Source of Information:</i> Potential sources for information: Montana Department of Public Health and Human Services http://www.dphhs.mt.gov/index.shtml County Health Department

Key <hr/>	14. Social Services - Governmental Services (e.g., demand on) <i>Comments and Source of Information:</i> Potential sources for information: Montana Department of Public Health and Human Services http://www.dphhs.mt.gov/index.shtml County Health Department
Key <hr/>	15. Social Structures and Mores (Standards of Social Conduct/Social Conventions) <i>Comments and Source of Information:</i> Potential sources for information: Montana Department of Commerce Census and Economic Information Center http://ceic.mt.gov/
Key <hr/>	16. Land Use Compatibility (e.g., growth, land use change, development activity) <i>Comments and Source of Information:</i> Potential sources for information: Local Planning Department
Key <hr/>	17. Energy Resources - Consumption and Conservation <i>Comments and Source of Information:</i> Potential sources for information: Montana Department of Environmental Quality Energize Montana http://www.deq.mt.gov/energy/default.mcp Local Power Company
Key <hr/>	18. Solid Waste Management <i>Comments and Source of Information:</i> Potential sources for information: Montana Department of Environmental Quality Solid Waste Program http://www.deq.mt.gov/SolidWaste/index.asp County Health Department Local Public Works Department

Key <hr/>	19. Wastewater Treatment - Sewage System <i>Comments and Source of Information:</i> Potential sources for information: Montana Department of Environmental Quality Public Water Supply Program http://deg.mt.gov/wqinfo/pws/default.mcpx County Health Department Local Public Works Department
Key <hr/>	20. Storm Water - Surface Drainage <i>Comments and Source of Information:</i> Potential sources for information: Montana Department of Environmental Quality Wastewater Discharge Program http://deg.mt.gov/wqinfo/mpdes/stormwaterConstruction.mcpx Local Public Works Department
Key <hr/>	21. Community Water Supply <i>Comments and Source of Information:</i> Potential sources for information: Montana Department of Environmental Quality Public Water Supply Program http://deg.mt.gov/wqinfo/pws/default.mcpx County Health Department Local Public Works Department
Key <hr/>	22. Public Safety - Police <i>Comments and Source of Information:</i> Potential sources for information: Local Police Department
Key <hr/>	23. Fire Protection - Hazards <i>Comments and Source of Information:</i> Potential sources for information: Local Fire Department Montana Department of Justice State Fire Marshall http://www.doj.mt.gov/enforcement/fireprevention/default.asp

Key <hr/>	24. Emergency Medical Services <i>Comments and Source of Information:</i> Potential sources for information: County Health Department
Key <hr/>	25. Parks, Playgrounds and Open Space <i>Comments and Source of Information:</i> Potential sources for information: Local Planning Department Local Parks and Recreation Department
Key <hr/>	26. Cultural Facilities, Cultural Uniqueness, and Diversity <i>Comments and Source of Information:</i> Potential sources for information: Montana Department of Commerce Census and Economic Information Center http://ceic.mt.gov/
Key <hr/>	27. Transportation Networks and Traffic Flow Conflicts (e.g., rail; auto including local traffic; airport runway clear zones, accident potential zones - avoidance of incompatible land use in airport runway clear zones) <ul style="list-style-type: none"> • 24 CFR Part 51B regulations <i>Comments and Source of Information:</i> Potential sources for information: Montana Department of Transportation http://www.mdt.mt.gov Local Planning Department
Key <hr/>	28. Consistency with Local Ordinances, Resolutions, or Plans (e.g., conformance with local comprehensive plans, zoning, or capital improvement plans) <i>Comments and Source of Information:</i> Potential sources for information: Local Planning Department
Key <hr/>	29. Is There a Regulatory Action on Private Property Rights as a Result of this Project? (consider options that reduce, minimize, or eliminate the regulation of private property rights).

<p>Key</p> <hr/>	<p>30. Environmental Justice</p> <ul style="list-style-type: none"> • Executive Order 12898 <p><i>Comments and Source of Information:</i></p>
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**APPENDIX E-A
(Supplement)**

**ENVIRONMENTAL REVIEW
SITE SPECIFIC CHECKLIST**

Site/Location: _____
Proposed Use of CDBG-ED
funds: _____

Program: _____ Program Year: _____
Site Visit Date: _____

If any of the items below are checked "yes", further environmental investigation is necessary. If many of 1 through 8 are checked "yes", please contact the CDBG-ED Program. This may not be an appropriate project for CDBG-ED funding.

	YES	NO
1. Structure is over 50 years old.	_____	_____
2. Site is within ¼ mile of a property on or eligible for the National Register of Historic Places.	_____	_____
3. Site is within, or partially within, 100-year flood plain (Panel No. _____ dated _____).	_____	_____
4. Noise determination – Site is within:		
a. 1,000 feet of a 4-lane roadway	_____	_____
b. 3,000 feet of a railroad	_____	_____
c. 65 L _{dn} for a commercial service airport	_____	_____
d. 65 L _{dn} for a military airfield	_____	_____
L _{dn} = average sound equivalent over a 24 hour period		
5. Are above ground storage of hazardous materials, such as liquid propane or gasoline storage tanks, visible from the site?	_____	_____
6. Is the project site located on or within 3,000 feet of a listed hazardous/toxic site? Contact EPA for this information.	_____	_____
7. Is site near the end of a runway at a civil airport or military field?	_____	_____

	YES	NO
8. Air Quality – Will project involve ground disturbance of 25 acres or last more than 6 months?	_____	_____
Will construction or demolition dust be produced?	_____	_____
Will project result in producing odor?	_____	_____
Does site involve asbestos?	_____	_____
9. Endangered Species/Wildlife Impact – Does location show signs of or potential benefit to wildlife or close to wildlife habitat (water, shelter and food?)	_____	_____
10. Farmlands Protection – Does project involve work on designated farmlands?	_____	_____
11. Will the proposed project have a disproportionately high and adverse human health or environmental impact on minority and low-income populations?	_____	_____

(If so, the Environmental Justice Clause EO 12898 is triggered.)

Areas triggered that may need attention before any CDBG-ED funds can be spent:

_____ Funding for this specific site is released

_____ Funding for this specific site is not released

Signature (Local Government Official)

Date

APPENDIX F

LOW AND MODERATE INCOME PERCENTAGES FOR CITIES, TOWNS AND COUNTIES

<http://comdev.mt.gov/tsep/target.aspx>

APPENDIX G

CDBG TECHNICAL ASSISTANCE PUBLICATIONS For Economic Development Projects

Program Income and Revolving Loan Fund Manual, MDOC, 2005 Edition

The Montana CDBG Program Grant Administration Manual

Guide to Eligible CDBG Activities, HUD

The Community Development Needs Assessment Process, MDOC

Documenting Benefit to Low and Moderate Income Persons, MDOC

Directory of Grant Writing Consultants and Grant Administrators, MDOC

Consolidated Plan Documents Produced by the Department of Commerce:

Montana's Five-Year Consolidated Plan

Informational Publication Directory, MDOC, In Support of the Consolidated Plan Beginning

Economic and Demographic Analysis of Montana

The Montana Assisted Living Study-Demand for Assisted Living

The State of Montana Consolidated Plan Performance Report

Montana Consolidated Plan Annual Action Plan

Housing and Homeless Resource Directory and Listing of Service Providers in Montana

Analysis of Impediments to Fair Housing

Montana Housing Conditions Study

All sub-county areas must demonstrate at least one criteria for each of the three thresholds.

Criteria:

- 1) Most Impacted
- 2) Most Distressed
- 3) Unmet Recovery Needs

Most Impacted Threshold

Data used for the Most Impacted Threshold must be damage that occurred as a result of the disaster. This damage does not need to reflect an unmet need and can already be “fixed.”

In order to demonstrate the Most Impacted threshold, each sub-county area must demonstrate at least one of the following criteria:

- 1) Housing – Housing damage in a sub-county area that caused damage to a minimum of 100 homes or serious damage to a minimum of 20 homes. *HUD has already provided a list of sub-county areas that meet this requirement.*
- 2) Infrastructure – Damage to permanent infrastructure in a sub-county area estimated at \$2 million or greater. This must be substantiated with an engineering report with an estimated repair amount along with a sources and uses statement demonstrating either a funding short fall or evidence of expenditures to make repairs.
- 3) Economic Revitalization – A disaster causing significant employment loss and extended harm to the local economy. This can be demonstrated by a 1% increase in unemployment in an impacted area 6 to 12 months after disaster compared to the same months a year prior to the disaster, or demonstration that 50 or more people were no longer employed in or near the most impacted area for six months or longer due to the disaster.
- 4) Environmental Degradation – A disaster resulting in specific degradation to the environment, such as fire creating a flood risk, etc. This can be documented by providing studies.

Most Distressed Threshold

In order to demonstrate the Most Distressed threshold, each sub-county area must demonstrate at least one of the following criteria:

- 1) Low & Moderate Housing - > 50% Low and moderate income households in an affected sub-county area. *This data is available from HUD.*
- 2) Affordable Rental Housing - Loss or shortage of affordable rental housing, indicated by a minimum of 100 renters with <50% of median income in a target area AND >60% have a severe housing problem (more than half of income for rent, no kitchen or plumbing based on 2007-11 ACS data). *This data is available from HUD.* Due to a disaster there is a high risk of damage to more than 100 assisted rental housing units from a future event. This can be demonstrated with a 1-2 paragraph description with supporting data.
- 3) Economically Fragile Area - Sub-county area is a tribal area, Promise Zone, or a Strong Cities Strong Communities Site. *This data is known.*
- 4) Employment - Sub-county area has an unemployment rate >125% of the national average. *No documentation as to how this should be computed, but data should be easily acquirable.*
- 5) Environmental Degradation-- Sub-county area contains a contaminated property that is clean, undergoing cleanup, or proposed for cleanup. *HUD points to state brownfields resources.*

Unmet Recovery Needs

Data used for the Unmet Recovery Needs must be damage that occurred as a result of the disaster. This damage needs to reflect an unmet need and cannot already be “fixed.”

In order to demonstrate the Unmet Recovery Needs threshold, each sub-county area must demonstrate at least one of the following criteria:

- 1) Housing - Twenty or more households still damaged in or still displaced as a result of this disaster in each sub-county area. This can be demonstrated with an explanation of why CDBG-DR, FEMA, and SBA funds are insufficient to resolve the problem and a windshield survey of these households confirming damage is due to the disaster.
- 2) Infrastructure - Demonstrate a minimum of \$400,000 in unfunded permanent infrastructure repair needs in each sub-county area. This can be demonstrated with an engineering report and a sources and uses statement showing the funding shortfall. An explanation of why existing CDBG-DR resources are insufficient is also necessary. No more than \$250,000 in CDBG funds can be applied to any solution that involves a cost share with the Army Corps of Engineers.
- 3) Business Damage – 5 or more businesses in each sub-county area with remaining repair needs and a windshield survey and survey of business owners confirming this along with an explanation of why CDBG, CDBG-DR, and SBA funds were inadequate. Addresses of these businesses must be provided.
- 4) Business Revenue Loss - Documentation of a loss of business revenues of 10% or more prior to the disaster for one or more employers with 10 or more employees, or three or more smaller employers in each sub-county area. To demonstrate this, HUD requires that we provide the number of employees before the disaster and currently, the gross revenues in a year before the disaster and the gross revenues in the most recent year, and a description of how the reduction in revenues is related to the disaster. Names and addresses of these businesses must be provided.
- 5) Environmental Degradation – Demonstration of environmental degradation due to the disaster in each sub county areas. This is required to be accompanied by a certification indicating that remaining damage is \$400,000 or more.

APPENDIX H

SAMPLE RESOLUTION TO AUTHORIZE APPLICATION

WHEREAS, the (City/Town/County) is applying to the Montana Department of Commerce for a Community Development Block Grant – Economic Development Program grant to (describe purpose of project);

WHEREAS, the (Name of applicant or/and the Sub-recipient) has the legal jurisdiction and authority to make a loan to (the assisted business);

That the (City/Town/County) agrees to conform with the regulations, statutes, terms and conditions described in the CDBG Certifications for Application; and

That (name of Chief Elected Official, or Chief Executive Officer), (title), is authorized to submit this application to the Montana Department of Commerce, on behalf of (City/Town/County), to act on behalf of (name of City, Town or County) and to provide such additional information as may be required.

Signed: _____

Name: _____

Title: _____

Date: _____

Attested: _____

SAMPLE RESOLUTION TO AUTHORIZE MULTI-JURISDICTIONAL APPLICATION

(Note: Each participating jurisdiction must submit its own resolution)

WHEREAS, the (Applicant City/Town/County) is applying to the Montana Department of Commerce for a Community Development Block Grant – Economic Development Program grant for a multi-jurisdictional grant to (briefly describe purpose of project);

WHEREAS, the (Name of Participating Jurisdiction), as one of participating jurisdictions, has the legal jurisdiction and authority to authorize (name of Applicant) to apply for the grant on its behalf;

WHEREAS, the (Name of Participating Jurisdiction), as one of the participating jurisdictions, has authorized the (Name of Applicant) to apply for the grant on its behalf;

WHEREAS, the (Name of Applicant) has the legal jurisdiction and authority to construct, finance, operate, and maintain (the proposed project);

That the (Name of Participating Jurisdiction) agrees to conform with the regulations, statutes, terms and conditions described in the CDBG Certifications for Application, and

That (name of Chief Elected Official or Chief Executive Officer of the Participating Jurisdiction), (title), is authorized to act on behalf of (name of Participating Jurisdiction).

Signed: _____

Name: _____

Title: _____

Date: _____

Attested: _____

EXAMPLE

RESOLUTION TO AUTHORIZE MULTI-JURISDICTIONAL APPLICATION

WHEREAS, Fergus County is applying to the Montana Department of Commerce for a Community Development Block Grant – Economic Development Program grant for a multi-jurisdictional grant to build capacity of the ABC Economic Development Area, Inc., through gap financing and technical assistance provided to expanding or start-up business within the counties of Petroleum, Judith Basin, Chouteau, Blaine and Phillips and the City of Sunrise;

WHEREAS, the City of Sunrise, as one of the participating jurisdictions, has the legal jurisdiction and authority to authorize Fergus County to apply for the grant on its behalf;

WHEREAS, the City of Sunrise, as one of the participating jurisdictions, has authorized the Fergus County to apply for the grant on its behalf;

WHEREAS, Fergus County has the legal jurisdiction and authority to request revolving loan funds which will finance the proposed revolving loan fund activities in the counties and the city represented by the ABC Economic Development Area, Inc.

That the City of Sunrise agrees to conform with the regulations, statutes, terms and conditions described in the CDBG Certifications for Application, and

That John Doe, Mayor, is authorized to act on behalf of the City of Sunrise.

Signed: _____

Name: _____

Title: _____

Date: _____

Attested: _____

APPENDIX I

PUBLIC HEARING PROCEDURE EXAMPLE AND SAMPLE FORMATS FOR PUBLIC HEARINGS

These can be adapted for counties, cities or towns.

Public Hearing Procedure Example

(This is a general example of a public hearing procedure and may or may not include all events that occur during a public hearing)

Scheduling the public hearing:

1. Secretary –
 - schedules public hearing,
 - announces date of public hearing through newspaper or other publication,
 - ensures that the public has adequate notice of hearing, such as publishing notice two weeks prior to date of actual hearing,
 - obtains affidavit of publication from publisher

Date of public hearing:

2. Chairman –
 - announces opening of hearing,
 - explains purpose of hearing,
 - announces that the hearing will be taped/recorded and that each respondent should clearly state his/her name
 - asks all attendants to sign attendance sheet
2. Secretary –
 - reads notice of hearing as published in local newspaper
 - takes minutes during hearing
3. Chairman –
 - orders notice placed in record
4. Secretary –
 - reads technical reports or comments pertaining to the subject or purpose of the hearing
5. Secretary –
 - reads any letters received regarding the subject
6. Chairman –
 - gives floor to those persons in attendance who wish to comment or ask questions – first to proponents of the issue, then to opponents of the issue.

7. Chairman –
 - moderates discussion arising from comments or questions from those in attendance – both proponents and opponents
8. Chairman –
 - announces when next scheduled meeting will be held
9. Chairman –
 - closes the hearing.

After the public hearing:

1. Secretary –
 - reviews tape of hearing and finalizes minutes
 - files copy of public hearing notice, affidavit of publication, attendance sheet, written minutes, and recorded tape

SAMPLE

NOTICE FOR FIRST PUBLIC HEARING

The **(City Council, County Commissioners, or Planning Board)** will hold a public hearing on **(day)**, **(date)**, **(time)**, in the **(building)** at **(place)**, for the purpose of obtaining public comments regarding the community development needs and priorities of the **(name of local government)** for economic development, housing and community revitalization, and public facilities, and particularly as those needs affect low and moderate income persons. The **(City/Town/County)** is considering submitting an application to the Montana Department of Commerce for a Community Development Block Grant – Economic Development Program (CDBG-ED) grant, and wants to obtain public comment on the needs of the community. The **(City Council, County Commissioners, or Planning Board)** will discuss the purpose of the CDBG-ED Program and the variety of activities eligible for funding. At the public hearing, everyone will be given the opportunity to express their opinions regarding the **(City/Town/County)**'s needs and the type of projects that should be considered. Comments may be given orally at the hearing or submitted in writing before **(time and date)**.

Anyone who would like more information or who wants to submit suggestions should contact **(person)**, **(title)**, **(telephone number)**. Portions of and/or a summary of the CDBG-ED Application are available for review at **(location)** during regular office hours.

(Name of City, Town or County) makes reasonable accommodation for any known disability that may interfere with a person's ability to participate in this public hearing. Persons needing an accommodation must notify **(name of contact person)** no later than **(date)** to allow adequate time to make needed arrangements. You can call **(telephone number)** or write to **(address)** to make your request known. **(If local government has access to a Telecommunication Device for the Deaf, include TDD number here.)**

SAMPLE

NOTICE FOR SECOND PUBLIC HEARING

The **(City Council, County Commissioners, or Planning Board)** will hold a public hearing on **(day)**, **(date)**, **(time)**, in the **(building)** at **(place)** for the purpose of obtaining public comments on a proposed application for a **(type of project)** project located at **(location)**, under the Montana Community Development Block Grant Program administered by the Montana Department of Commerce. At the public hearing, the proposed application will be explained, including the proposed area of the project, activities, and budget, and all interested persons will be given the opportunity to express their opinions regarding this proposed application. Testimony may be given orally at the hearing or submitted in writing before **(date)**.

Anyone who would like further information or who wants to submit comments should contact **(person)**, **(title)**, **(telephone number)**. Portions of and/or a summary of the CDBG-ED Application are available for review at **(location)** during regular office hours.

(Name of City, Town or County) makes reasonable accommodation for any known disability that may interfere with a person's ability to participate in this public hearing. Persons needing an accommodation must notify **(name of contact person)** no later than **(date)** to allow adequate time to make needed arrangements. You can call **(telephone number)** or write to **(address)** to make your request known. **(If local government has access to a Telecommunication Device for the Deaf, include TDD number here.)**

APPENDIX J

(NAME OF LOCAL GOVERNMENT OR NON-PROFIT ENTITY)

(Whichever is managing the revolving loan fund)

SAMPLE REVOLVING LOAN FUND PLAN

The (Local Government) received a (Fiscal Year xxxx) Community Development Block Grant – Economic Development (CDBG-ED) Program grant from the Montana Department of Commerce (MDOC). The (Local Government) has entered into a sub-recipient agreement with (Non-Profit Entity) to manage loan repayments from this grant award.

The non-administrative portion of that grant was made available to a private business, (Name of Business), in the form of a loan. The loan proceeds were used for (Purpose of Loan, i.e. acquisition, finance, and working capital). The terms of the loan agreement are specified in a duly recorded loan document on record at (Local Government), Montana. That document is hereby incorporated by reference into this Revolving Loan Fund Plan. The repayments on this loan will be paid into an interest-bearing Revolving Loan fund account, to be used for further relending activity.

ORGANIZATIONAL MISSION

The (Local Government or Non-Profit Entity) Revolving Loan Fund (RLF) is designed to stimulate economic development activity by assisting the private sector, in order to create or retain jobs for low and moderate-income persons. These funds will be used in situations where a funding gap exists and alternative sources of public and private financing are not adequate. These funds are intended to complement conventional business financing techniques by leveraging funding from other federal and state financing programs and private lending institutions.

The RLF is designed to assist businesses by making appropriate long-term, fixed rate financing available to them at reasonable interest rates, and by providing public improvements in support of economic development activities.

PROGRAM OBJECTIVE

The objective of the Revolving Loan Fund (RLF) will be to continue the activities from which the program income is being derived, specifically:

1. Create and retain employment opportunities, to benefit no less than 51% Low and Moderate-Income (LMI) persons within the (City, Town, County) which is the designated RLF Assistance area; and
2. Assist in preventing or eliminating blight, beautification, or upgrading within the commercial/business district of the community; and

3. Contribute partial funding as match for community development projects funded with state and federal funds.

ELIGIBLE APPLICANTS

Eligible applicants requesting loan assistance will be restricted to **(define, i.e. for-profit businesses within the designated RLF Assistance Area)**. The RLF Assistance Area is defined as being within the **(City, Town, County or Certified Regional Development Corporation Area)**.

MAXIMUM LOAN AMOUNT

Maximum loan amounts depend on the type of financing requested, as listed below.

ELIGIBLE ACTIVITIES

Typical eligible activities include: land acquisition, public facilities and other improvements in support of economic development, such as water and sewer lines, and access roads; for acquisition, construction, rehabilitation, or installation of commercial and industrial buildings, facilities, equipment, or working capital; employee training; and grants to nonprofit entities.

Use of program income must be consistent with eligible activities as determined by the U.S. Department of Housing and Urban Development (24 CFR Part 570.201 or Section 105(a) of Title I of the Housing and Community Development Act) and the Montana DOC Community Development Block Grant Program.

1. CDBG Project Development

The **(Local Government or Non-Profit Entity)** may use program income to defray project development costs incurred during the development of public facility projects, housing projects or economic development projects, as outlined within their adopted program income (revolving loan fund) plan.

Activities may include but will not be limited to:

- legal advertisements specific to project development
- preparation of market studies/architectural or engineering studies
- feasibility studies
- computerization/operational assistance
- accounting/legal reviews
- grant preparation

2. CDBG Project Participation

The **(Local Government or Non-Profit Entity)** may use program income to participate in partial funding of public facilities projects, housing projects, or economic development projects within the **(City, Town, County)**.

Activities may include but will not be limited to contributing matching funds to augment state and federal funding for (Local Government or Non-Profit Entity) projects

TYPES OF FINANCING AVAILABLE

a. *Business Support Loans*

Eligible applicants may apply for loan assistance to finance activities that will strengthen their business and increase the likelihood of retaining or expanding the business within the designated Business/Commercial District or (Designated Location).

Activities may include but will not be limited to:

- preparation of business plans
- market studies
- project feasibility studies
- computerization/operational assistance

Amounts of loan requests for Business Support Loans will not exceed (\$xxx), or (XX%) of total activity cost. Loans will be amortized over a (X-year term) at no less than (X%) interest and no greater than (X%) interest.

b. *Business Direct Loans*

Eligible applicants may apply for assistance to finance predetermined and documented business retention and/or expansion of activities. Loan proceeds may be used for the following activities:

- building/site acquisition
- site development/new construction
- building renovation
- equipment acquisition
- working capital

Amounts of loan requests for Business Direct Loans will not exceed (\$xxx) or (xx%) of total activity cost. Terms of the loans will not exceed seven (7) years for working capital loans or ten (10) years for all other building related or equipment loans. Interest rates will be (no less than X% or greater than X%).

c. *Interest or Principal Buy-downs*

Eligible applicants may apply for financial assistance in the form of an interest or principal buy-down of a commercial loan. The proceeds of the commercial loan must be used for program eligible activities as described herein for Business Support or Business Direct loans.

- d. Eligible applicants who own or intend to purchase a building within the Business/Commercial District may make a one-time application for loan assistance to finance exterior renovation, signage, facade renovation or construction. Loan amounts will not exceed (\$XXX), amortized at (X%) over a (X-year term).

APPLICATION PROCEDURES

The Revolving Loan Fund Committee will accept loan applications on an open-cycle basis. The application deadline will be 5:00 p.m. the last working day of any week. Completed loan applications may be mailed or delivered to (Location) on or before the application deadline. (See application form - Attachment A)

Applicants should use the application summary and attach all required information. In addition, the for-profit business or nonprofit entity should complete the Business Application Requirements section of the guidelines.

Applications that propose public improvements as assistance to businesses will be accepted by (Name of Entity) and reviewed with similar procedures as loans to for-profit businesses. The application must include a complete business plan and financial package for each business assisted.

Applications will be reviewed and analyzed by the committee and (Other Entity (if applicable)) on a “first come, first served” basis, as determined by the date that the full application is found to be complete by (Name of Entity).

Applicants should also be aware that in most cases it may take two to four weeks before any funds will actually be received after the decision to award a grant has been made.

LOAN REVIEW PROCESS

Loan applications received on or before the application deadline will receive a preliminary review by the Grant Review Committee to determine completeness of each application. Only complete applications will be advanced to the formal review process.

The Loan Review Committee is comprised of (Name of Entity) members who at present consist of (i.e. two banking representatives, two business representatives, and two rural representatives). This makeup allows for replacement by appointment from (Name of Entity).

The Committee will review each application for compliance with program objectives.

Each application will be evaluated separately on a first-come first-served basis. Should requests for funds exceed funds available, applications that are deemed to represent a likelihood of broadest impact will receive the most favorable review.

Ranking of Applications

Each Revolving Loan Fund application for assistance will be ranked in five categories, a best ranking will equal 5 points, an average ranking will equal 3 points, and a poor ranking will equal 1 point. Any application receiving less than a poor score in a category is ineligible for the benefits of this program and will be rejected.

1. Business proposal is appropriate for the city and this program.

Best = 5 points

Average = 3 points

Poor = 1 point

2. Number of jobs created or retained.

Greater than 10 jobs = 5 points

Between and including 5 and 10 jobs = 3 points

Less than 5 jobs = 1 point

3. Cost per job.

Less than or equal to \$5,000/job = 5 points

\$5001 - 10,000 job = 3 points

\$10,001/job - \$20,000/job = 1 point

4. Business proposal is financially feasible.

5. Percent benefit to Low and Moderate-Income Persons

80% - 100% = 5 points

60% - 79% = 3 points

51% - 59% = 1 point

Note: Compute by dividing the number of jobs created for and/or retained by LMI persons by the total number of jobs created and/or retained.

6. Area economic impact: Project which has the broadest potential for impact on other area businesses, or real estate values, or school enrollments, or agriculture, etc., will be given a "Best" (5 points). Other applications will be ranked against the best application, with the next best receiving an "Average" (3 points).

Within 60 calendar days from the application deadline, the Committee will provide the City Council with a written evaluation of each loan application, accompanied with a recommendation for loan approval or rejection by the Council.

PRIORITIZING APPLICATIONS

In addition to ranking individual applications, Revolving Loan Fund expenditures will be prioritized as follows:

1. Business expansions to enhance job retention or creation;
2. New business, locating within the RLF Assistance Area, which creates jobs;
3. Start-up of business with job creation potential;
4. Revitalization of business property;
5. Demolition for blight removal.

ANNUAL REPORT

As required by the Montana Department of Commerce, an annual report of Revolving Loan Fund activities will be submitted to the Community Development Block Grant – Economic Development Program along with a proposed budget for the following year.

AMENDMENTS TO THE ECONOMIC DEVELOPMENT REVOLVING LOAN FUND GUIDELINES

The **(Name of Entity)** may amend these guidelines by a majority vote of the **(Name of Entity)** and approval by the Department of Commerce. Amendments will be incorporated into a revised statement of the CDBG Economic Development Program Income Revolving Loan Fund Guidelines.

APPROVED:

_____ Local Government Official	_____ Date
------------------------------------	---------------

_____ Non-Profit Entity Representative	_____ Date
---	---------------

ATTEST:

_____ Name	_____ Date
---------------	---------------

(Local Government or Non-Profit Entity)
CDBG Economic Development Revolving Loan Fund
January 1, 2014 – December 31, 2014
BUDGET (Sample)

INCOME

1. Loan payments	
Interest only, projected	\$ 15,222
Principal and interest	<u>\$22,076</u>
TOTAL INCOME	<u>\$37,298</u>

EXPENSES

ADMINISTRATION

Personnel Services	
1. Salaries, Wages, Benefits, Office Costs	\$ 1,500
2. Supplies	\$ 150
3. Postage/Printing	\$ 150
4. Telephone	\$ 100
5. Legal	<u>\$ 600</u>
TOTAL ADMINISTRATION	<u>\$ 2,500</u>

ACTIVITY

Project Development	
6. Legal Publications	\$ 250
7. Architect/Engineering Services	\$ 2,500
8. Consulting Services	\$ 2,500
9. Legal Documentation	<u>\$ 500</u>
TOTAL PROJECT DEVELOPMENT	<u>\$ 5,750</u>

Project Participation	
10. Land Acquisition	\$ 0
11. Demolition/Clearance	\$ 0
12. Architect/Engineering Services	\$ 2,500
13. Construction	\$14,800
14. Other	<u>\$ 0</u>
TOTAL PROJECT PARTICIPATION	<u>\$17,300</u>

TOTAL EXPENSES	<u>\$25,550</u>
-----------------------	------------------------

Income	\$37,298
(minus) -Expenses	<u>\$25,550</u>
Total Revolving Loan Fund	<u>\$11,748</u>

NOTE: Budget line carryovers will be allocated to RLF.

BUDGET NARRATIVE (Sample)

ADMINISTRATION

1. Personnel Services:	
Calculated at \$15/hr. 10 hrs./month, 10 month period	\$ 1,500
2. Supplies: estimated Program Costs (10 months)	\$ 150
3. Postage/printing: estimated Program Costs	\$ 150
4. Telephone: estimated Program Costs	\$ 100
5. Legal: estimated Program Reimb. for Co. Attorney/program time	<u>\$ 600</u>
Total Administration	<u>\$ 2,500</u>

ACTIVITIES

6. Legal Publications:	
Public Hearings - Water Project	(\$40)
Prof. Procurement - Water Project	(\$65)
Public Hearings - County Jail Project	(\$40)
Public Hearings - E.D. Project	(\$40)
Procurement - E.D. Project	<u>(\$65)</u>
Subtotal	\$ 250
7. Architect/Engineering Services Schematic Design - Jail Project	\$ 2,500
8. Consulting Services: Grant Preparation - E.D. Project	\$ 2,500
9. Legal Documentation: Prof. Svcs Contract Prep. and/or review	\$ 500
10. Land Acquisition	\$ - 0 -
11. Demolition/Clearance	\$ - 0 -
12. Architect/Engineering Services	
Constr. Drawings, permit plans - handicapped accessibility proj.	\$ 2,500
13. Construction - Handicapped Access Project	\$14,800
14. Other	<u>\$ - 0 -</u>
Total Activity.....	<u>\$23,050</u>
TOTAL ADMINISTRATION AND ACTIVITIES.....	<u>\$ 25,550</u>

ATTACHMENT A
(Local Government or Non-Profit Entity)

LOAN APPLICATION
Program Income Revolving Loan Fund

APPLICANT INFORMATION:

Name of Business: _____
Address: _____

Telephone: _____
_____ (Fax)
Tax ID Number: _____
Contact Person: _____ (Phone)

Number of Years in Business: _____
Form of Business: Sole Proprietorship: _____ Partnership: _____
Corporation: _____ Other _____

Business Description (attach additional sheet if more space is required):

TYPE OF LOAN REQUESTED:

Business Support _____
Business Direct _____
Interest Buydown _____
Business District Revitalization _____.

NOTE:

Additional information may be requested by the Committee. That information may include, but may not be limited to the following financial exhibits; most current Balance Sheet; Profit and Loss Statement; Cash Flow Statement; Reconciliation of Net Worth; Earning Projections; and/or current personal financial statement for the business owner or any individual with more than 10% ownership.

Amount of Loan requested: _____

Source and amount of matching funds (if applicable)

Source _____

Amount _____

Purpose of Loan:

Certification:

As the responsible certified agent for (Name of business), I hereby submit this application for loan assistance from the (Local Government or Non-Profit Entity) Revolving Loan Fund. The information presented in this application is, to the best of my knowledge, true and accurate. I further acknowledge that any employment positions retained or created as the result of a loan must benefit no less than 51% low to moderate-income persons.

Signature

Name and Title

Date

APPENDIX K

PROCUREMENT POLICY

ADOPTED MDOC PROCUREMENT POLICY

After announcing and holding a public hearing on April 16, 1998 and receiving written testimony on a new, proposed procurement policy, MDOC adopted a policy that grant administration services (consulting services) for CDBG, HOME (excluding Community Housing Development Organizations) and TSEP grants be procured using the following procedures:

1. Requests for Proposals (RFPs) are required for any services over \$100,000 and are recommended for procurement under \$100,000 that are complex and/or where qualifications and desired work products cannot easily be handled by telephone rate quotations. Additional guidelines on the use of RFPs for HUD funded projects can be found in HUD Notice CPD-96-05, available from MDOC.
2. HUD "small purchase" procedures can be used where the procurement will not cost more than \$100,000 in the aggregate, and where the procurement is relatively simple and a selection decision can be made based on three to five rate and work plan quotations from qualified sources. The grantee should record the rate or quote along with other identifying information (name, address, and phone) and document the questions asked. If the selection is made using small purchase procedures, the grantee should also contact the Montana Department of Transportation (MDOT) to obtain a list of Minority Business Enterprises/Disadvantaged Business Enterprises (MBE/DBE) certified firms within the region that appear in MDOT's directory in order to invite proposals from qualified MBE/DBE firms.
3. If a local government's procurement policy is more restrictive than MDOC procedures, the local government's policy will govern the procurement procedures to be followed.
4. Based upon additional guidance from HUD, these MDOC procurement requirements would not apply to the formation of long-term partnerships between a local government and a for-profit or non-profit partner when the partnership has a current legal relationship (signed contract), the partner is managing the grant funds, the local government does not have the staffing capability to manage the grant, and the relationship will continue indefinitely following project closeout.

A "long-term relationship" exists where services to be provided are an integral component of the project or activity and are essential to or necessary for the long-term operation of the facility after closeout. This long-term relationship must be clearly spelled out in the proposed management plan submitted as part of the grant application. The key principle is that the for-profit or non-profit entity must have a preestablished, long-term integral role in the continued operation or management of the facility or activity after project closeout. The

non-profit or for-profit must be accountable to the recipient of the grant for the use of funds provided.

A "partnership" is viewed by the state as a long-term, mutually beneficial relationship as determined by the local government. The partnership agreement must be in place before submission of the grant application to MDOC. A partnership would include relationships that will continue indefinitely following formal project closeout. Examples of "long-term partnerships" would include:

- Relationships where a non-profit or for-profit entity, on behalf of a local government, initially administers a CDBG or HOME project and also manages the revolving loan fund (RLF) or program income fund resulting from loan repayments generated by the project.
- For a CDBG economic development RLF capacity-building project, a local government or group of local governments have agreed through a contractual relationship to build capacity in the nonprofit entity over the long-term.
- A local housing authority administers a low income housing project for the long-term, or a non-profit entity owns and operates an affordable housing project. Termination of the relationship would depend upon the terms and conditions of the contract between the local governing body and the non-profit or for-profit entity.
- A Human Resources Development Council (HRDC) proposes to construct and operate a Head-Start center on behalf of a Montana county. In this case, MDOC would not require the recipient county to go through a procurement process for grant administration services. The county commissioners would have the discretion to have the HRDC provide CDBG or HOME grant administration services without a competitive grant procurement process. A for-profit or non-profit entity is established as the management consultant for the long-term management of an economic development revolving loan fund. This would be permitted only in those cases where there is a clear, long-term relationship and intent to manage the revolving loan fund indefinitely into the future.
- A local government applying on behalf of a non-profit entity which proposes to construct, own, and operate an affordable housing project or public facilities project. In this case, the county or city would have the option of not requiring a competitive procurement process for grant administration services if those services would be provided by the non-profit organization that would own and manage the affordable housing or public facility project into the future.

A long-term partnership arrangement would not include contractor relationships where the for-profit or non-profit entity is paid by the grantee solely for project administrative services, over the project contract period, or until formal project close-out by MDOC, and payment is made as regular compensation for services rendered during the term of the contract.

APPENDIX L1
SAMPLE SUB-RECIPIENT AGREEMENT
(For revolving loan fund projects)

THIS AGREEMENT is entered into this ____ day of ____, 20____, by (name of City, Town or County), herein referred to as the (“City”, “Town” or “County”) and (name of Local Development Organization), a nonprofit economic development corporation herein referred to as the “Sub-recipient.”

WITNESSETH THAT:

WHEREAS, (name of City, Town or County) is the recipient of a Community Development Block Grant – Economic Development (CDBG-ED) Program by the Montana Department of Commerce, herein referred to as “the Department,” and

WHEREAS, the purpose of the grant is to (establish a revolving loan fund – and/or – describe other activities) for the residents of (name of City, Town, County or region), and

WHEREAS, the (City/Town/County), desires to subgrant the CDBG-ED funds to the Sub-recipient and engage the Sub-recipient to administer the (revolving loan fund –and/or-- describe other activities) on the (City/Town/County)'s behalf, and

WHEREAS, the Department has required the (City/Town/County) to enter into a Sub-recipient agreement with the Sub-recipient specifying the terms and conditions of the (City/Town/County)'s delegation of certain CDBG-ED responsibilities to the Sub-recipient, and

WHEREAS, (name of Local Development Organization) is qualified as a (local development corporation or a nonprofit organization serving the development needs of the communities of nonentitlement areas) as defined by §105(a)(15) of Title I of the Housing and Community Development Act (the “Act”), and

WHEREAS, loan repayments made back to a qualified nonprofit entity defined by §105(a)(15) of the Act are considered miscellaneous revenue and would not be subject to federal program income requirements, except as mutually agreed to by the Sub-recipient, the (City/Town/County), and the Department, and

WHEREAS, the parties to this Agreement understand that neither of them has in any way, expressly or impliedly, abrogated any of its individual powers, and further agree that this Agreement does not create any new organization or legal entity.

NOW, THEREFORE, in consideration of the mutual covenants and conditions set out in this Agreement, the parties agree as follows:

A. SPECIAL PROVISIONS. The (City/Town/County) agrees, under the terms and conditions of this Agreement, to sub-grant CDBG-ED grant funds as a loan for gap financing and technical assistance to the Sub-recipient.

B. INDEPENDENT SUB-RECIPIENT. It is understood by the parties hereto that the Sub-recipient is an independent Sub-recipient and that neither its principals nor its employees, if any, are employees of the (City/Town/County) for purposes of tax, retirement system, or social security (FICA) withholding. It is further understood that pursuant to section 39-71-401, MCA, the Sub-recipient has obtained, and will maintain at its expense for the duration of this Contract, coverage in a workers' compensation plan for its principals and employees for the services to be performed hereunder.

C. COMPENSATION. The Sub-recipient will retain all program income including principal and interest as the result of this grant award. These funds will be used to enhance a Revolving Loan Fund for the benefit of all eligible businesses located within the (City, Town, County or region). A portion of the interest income (XX%), not to exceed (\$XX,XXX) per year, may be used to cover the administrative costs of managing the fund. The Sub-recipient will be responsible for administration, management, and recording of fund income.

Neither the cost of architectural, engineering, or grant administrative services plus a percentage of that cost method nor the percentage of construction cost method will serve as the basis for compensating the sub-recipient for its services provided under this Contract.

For the satisfactory completion of the services to be provided under this Contract, the (City/Town/County) will pay the Sub-recipient a sum not to exceed \$_____ as in the manner set forth in the attached Exhibit _____, which by this reference is made a part of this contract. Each specific service the Sub-recipient will provide under this contract, and the maximum amount that the (City/Town/County) will pay the Sub-recipient for each of these services, is set forth in the attached Exhibit _____.

The amount to be paid will be calculated according to the hourly billing rates for the various personnel as described in Exhibit _____. The Sub-recipient may submit monthly requests for payment, based on actual work performed, which must be accompanied by an itemized invoice describing the services furnished, the number of hours worked to accomplish each item, the amount being billed for each item, a description of any other eligible expenses incurred during the billing period, and the total amount being billed.

D. SCOPE OF SERVICES. The Sub-recipient will perform the following services: (Here, or in an exhibit to the contract, explicitly and completely list the services and products the grant recipient expects of the Sub-recipient, including the timetable for completion of key tasks. Consult with your CDBG-ED liaison as to the specific services, which may be appropriate for each grant category.)

It is understood and agreed by the parties that the services of the Sub-recipient do not

include any of the following: the disbursement or accounting of funds distributed by the (City/Town/County)'s financial officer, legal advice, fiscal audits or assistance with activities not related to the CDBG-ED project.

1. The Sub-recipient will be responsible for all facets of the CDBG-ED gap financing and technical assistance program as described in the Management Plan for the CDBG-ED project. The Sub-recipient will also be responsible for all aspects of the local RLF program, including the following:

- a) Developing Policies and Procedures as they relate to the loan program and/or administering the local CDBG-ED grant program and the local RLF program.
- b) Conducting the local loan application process, including but not limited to:
 - (1) Application documentation;
 - (2) Environmental Review;
 - (3) Credit Analysis;
 - (4) Loan package development; and
 - (5) Collaboration with other funding sources as may be necessary to provide complete financing

2. During the term of this Agreement, the Sub-recipient will maintain reasonable records of its performance under this Agreement in a manner consistent with generally accepted accounting principles. The Sub-recipient will allow the (City/Town/County)'s authorized representatives access to these records at anytime during normal business hours. At the request of the (City/Town/County), the Sub-recipient will submit to the (City/Town/County), in the format prescribed by the (City/Town/County), status reports on its performance under this agreement.

3. The Sub-recipient will comply with the Revolving Loan Fund Plan as approved by the (City/Town/County) and the Montana Department of Commerce and attached to this Agreement as (Exhibit "X"). If the Sub-recipient ceases to exist or an Event of Default occurs, all program income relating to this grant, including funds on hand and accounts or notes receivable, will revert to the (City/Town/County).

E. DURATION OF THE AGREEMENT. This Agreement will become effective upon authorization by the (City/Town/County) (Council Members or Commissioners) and the (name of Local Development Organization) Board of Directors and approval by the Department.

This Agreement will terminate if either party fails to meet the conditions of this Agreement or if an Event of Default occurs.

F. ADMINISTRATION.

1. For the purposes of implementing this Agreement, the (City/Town/County) will appoint a local government project liaison that will work with the Sub-recipient. The parties will meet as necessary to provide for the efficient and smooth implementation of this Agreement and the activities contained herein. This Agreement will run concurrently with the Management Plan, which governs the management of the initial CDBG-ED grant, and will follow the Management Plan for issues related to the initial grant. This Sub-recipient Agreement governs the management of the resultant RLF until terminated as provided in Section S.

2. The Sub-recipient will comply with the "Certifications for Application" signed by the (City/Town/County) and submitted with the application for economic development assistance to the Department of Commerce.

3. The Sub-recipient will comply with Procurement Standards as outlined in Chapter 3 and Chapter 8 of the CDBG Grant Administration Manual before entering into any agreements to remodel, to purchase equipment or material, or to retain the services of a consultant or contractor.

4. The CDBG-ED project fund will be audited on a yearly basis in conjunction with Sub-recipient's agency-wide audit and the audit will be conducted according to OMB Circular A-133.

G. CONFLICT OF INTEREST. The Sub-recipient covenants that it presently has no interest and will not acquire any interest, direct or indirect, in the CDBG-ED project which would conflict in any manner or degree with the performance of its services hereunder. The Sub-recipient further covenants that, in performing this Contract, it will employ no person who has any such interest.

H. DISPOSITION OF REAL PROPERTY OR EQUIPMENT ACQUIRED. Upon the expiration of the Agreement, the Sub-recipient will transfer to the (City/Town/County) any CDBG-ED funds on hand at the time of expiration and any accounts receivable attributable from the use of CDBG-ED funds. With respect to any real property or equipment under the Sub-recipient control that was acquired or improved in whole or in part with CDBG-ED funds in excess of \$25,000, the Sub-recipient will either:

1. Use the property to meet the national objectives contained in 24 CFR section 570.901 for five (5) years after expiration of the Agreement; or

2. Dispose of the property in a manner consistent with OMB Circular A-102 Attachment "n" and as approved by the Department. Reimbursement is not required after the period of time specified in the first paragraph of this section. The proceeds from such disposition will be subject to the applicable provisions of 24 CFR 570.504 (program income).

I. DOCUMENTS INCORPORATED BY REFERENCE. The **(City/Town/County)**'s application to the Department for CDBG-ED funding, dated _____, 20____, and all applicable federal and state statutes and regulations are incorporated into this Contract by this reference and are binding upon the Sub-recipient.

J. ANTI-PIRATING CLUSE. The sub-recipient agrees to comply with the Prohibition on Use of Community Development Block Grant Assistance for Job-Pirating Activities under 24CFR, Part 570, Prohibition on Use of Assistance for Employment Relocation Activities. Notwithstanding any other provision of law, no amount from a grant under section 106 made in fiscal year 1999 or any succeeding fiscal year may be used to assist directly in the relocation of any industrial or commercial plant, facility, or operation, from one area to another area, if the relocation is likely to result in a significant loss of employment in the labor market area from which the relocation occurs. Sub-recipient agrees to comply with 24 CFR 570.482 (3)(i) through (iii).

K. CIVIL RIGHTS ACT OF 1964. The Sub-recipient will abide by the provisions of the Civil Rights Act of 1964 which states that under Title VI, no person may, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

L. SECTION 109 OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974. The Sub-recipient will comply with the following provision:

No person in the United States may on the grounds of race, color, national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with the funds made available under this title. Any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1975 or with respect to an otherwise qualified handicapped individual as provided in Section 504 of the Rehabilitation Act of 1973 will also apply to any such program or activity.

M. SECTION 3 OF THE HOUSING AND URBAN DEVELOPMENT ACT OF 1968. The Sub-recipient will ensure that to the greatest extent feasible, opportunities for training and employment arising in connection with this CDBG-ED assisted project will be extended to lower income project area residents. Further, the Sub-recipient will, to the greatest extent feasible, utilize business concerns located in or substantially owned by residents of the project area, in the award of contracts and purchase of services and supplies.

N. MINORITY BUSINESS ENTERPRISE. Consistent with the provisions of Executive Order 11246, the Sub-recipient will take affirmative steps to assure that minority businesses are used when possible as sources of supplies, equipment, construction and services. Additionally, the Sub-recipient will document all affirmative steps taken to solicit minority businesses and will forward this documentation along with the names of the minority subcontractors and suppliers to the local government CDBG-ED recipient upon request.

O. NONDISCRIMINATION. The Sub-recipient will not discriminate against any employee or applicant for employment on the basis of race, color, religion, creed, political ideas, sex, age, marital status, physical or mental handicap, or national origin.

P. OWNERSHIP AND PUBLICATION OF MATERIALS. All reports, information, data, and other materials prepared by the Sub-recipient pursuant to this Contract are the property of the (City/Town/County) and the Department which have the exclusive and unrestricted authority to release, publish or otherwise use, in whole or part, information relating thereto. Any reuse without written verification or adaptation by the Architect/Engineer for the specific purpose intended will be at the Owner's sole risk and without liability or legal exposure to the Architect/Engineer. No material produced in whole or in part under this Contract may be copyrighted or patented in the United States or in any other country without the prior written approval of the (City/Town/County) and the Department.

Q. REPORTS AND INFORMATION. The Sub-recipient will maintain accounts and records, including personnel, property and financial records, adequate to identify and account for all costs pertaining to this Contract and such other records as may be deemed necessary by the (City/Town/County) to assure proper accounting for all project funds, both federal and non-federal shares. These records will be made available for audit purposes to the (City/Town/County) or its authorized representative, and will be retained for three years after receipt of final payment for the services rendered under this Contract unless permission to destroy them is granted by the (City/Town/County).

R. ACCESS TO RECORDS. It is expressly understood that the Sub-recipient's records relating to this Contract will be available during normal business hours for inspection by the (City/Town/County), the Department, the U.S. Department of Housing and Urban Development, the U.S. Comptroller General, and, when required by law, the Montana Legislative Auditor and Legislative Fiscal Analyst.

S. INDEMNIFICATION. The Sub-recipient waives any and all claims and recourse against the (City/Town/County), including the right of contribution of loss or damage to person or property arising from, growing out of, or in any way connected with or incidental to the Sub-recipient's performance of this Agreement, except claims arising from the concurrent or sole negligence of the (City/Town/County) or its officers, agents or employees. The Sub-recipient will indemnify, hold harmless, and defend the (City/Town/County) against any and all claims, demands, damages, costs, expenses, or liability arising out of the Sub-recipient's performance of this Agreement except for liability arising out of the concurrent or sole negligence of the (City/Town/County) or its officers, agents, or employees.

T. INSURANCE. It is advised that Sub-recipient consult with their insurer or attorney for more specific advice on provisions that they may want to include under this section, or any other section of this agreement.

U. TERMINATION OF AGREEMENT. If any of the following events occur, the (City/Town/County) may, in its sole discretion, declare such event a default under this Agreement:

1. Any representation or warranty made by the Sub-recipient in this Agreement or in any request or certificate or other information furnished to the (City/Town/County) under this Agreement proves to have been incorrect in any material respect; or
2. The Sub-recipient fails in any material respect to carry out its obligations under its proposal to the (City/Town/County) for the assistance provided under this Agreement.

If the Sub-recipient fails to perform any of its duties under this Agreement or if any event of default occurs, the (City/Town/County) may declare the Sub-recipient to be in default and thereafter give the Sub-recipient written notice setting forth the action or inaction which constitutes the default and giving the Sub-recipient 45 days in which to correct the default. If the Sub-recipient fails to correct the default within 45 days of receipt of this notice, the (City/Town/County) may notify the Sub-recipient in writing that any amount that is payable under this Agreement is due and payable in full within 45 days and this Agreement is terminated.

It is agreed by the parties that the provisions of this Agreement provide for reasonable and sufficient notice to be given to the Sub-recipient in case of the Sub-recipient's failure to comply with any of its covenants and that this notice is sufficient for the Sub-recipient to rectify its actions or inactions of default.

The waiver by the (City/Town/County) of any default by the Sub-recipient does not constitute a waiver of a continuing breach or a waiver of a subsequent breach. Any agreement contrary to this Agreement is not binding upon either party unless it is in writing and signed by both parties.

V. CONSTRUCTION AND VENUE.

This Agreement will be construed under and governed by the laws of the State of Montana. The (City/Town/County) and the Sub-recipient agree that performance of this Agreement is in the County of _____, State of Montana and that in the event of litigation concerning it, venue is in the District Court of the ____th Judicial District in and for the County of _____, Montana.

W. ELIGIBILITY. The Sub-recipient certifies that the Sub-recipient's firm and the firm's principals are not debarred, suspended, voluntarily excluded, or otherwise ineligible for participation in federally assisted contracts under Executive Order 12549, "Debarment and Suspension". (24 CFR 24.505)

This Sub-recipient Agreement has been approved by (name of City, Town or County) (Board of Commissioners or Council Members) and (name of Local Development Organization) Board of Directors.

IN WITNESS THEREOF, the parties hereto have caused this Agreement to be executed.

(Name of City, Town or County):

(Name of Chief Elected Official)

Date

Attest:

*(Name of Local Development
Organization):*

(Name of Director)

Date

Attest:

(ATTACH ANY EXHIBITS HERE)

For Example:

Exhibit "A" – Revolving Loan Fund Plan

Exhibit "B" – CDBG-ED Grant Contract between the Department of Commerce & the **(City/Town/County)**

Exhibit "C" – Management Plan for the Project (between the **(City/Town/County)** and the Sub-recipient, as approved by the Department of Commerce)

Exhibit "D" – Schedule of Fees (see example on page L1.9)

Example of “Schedule of Fees”

Local Development Organization Schedule of Fees

PERSONNEL EXPENSES

Project Manager – Anticipated work hours for 2 year project
875 hours @ \$30/hour = \$26,250.00

Benefits – Health insurance, annual leave, etc.
875 hours @ \$3.00/hour = \$ 2,625.00

TRAVEL (\$.35/mile)

26 trips out to project site @ \$10.78 = \$ 280.28
6 trips to other office @ \$47.04 = \$ 282.24

SUPPLIES (10% overhead)

Office supplies = \$ 2,587.48
Postage
Printing and copying
Telephone

TOTAL \$32,025.00

APPENDIX L2

SAMPLE SUB-RECIPIENT AGREEMENT

(For non-RLF agreements)

THIS AGREEMENT is entered into this ____ day of ____, 20__, by (name of City, Town or County), herein referred to as the ("City", "Town" or "County") and (name of Local Development Organization), a nonprofit economic development corporation herein referred to as the "Sub-recipient."

WITNESSETH THAT:

WHEREAS, (name of City, Town or County) is the recipient of a Community Development Block Grant – Economic Development (CDBG-ED) Program by the Montana Department of Commerce, Business Resources Division herein referred to as "the Department," and

WHEREAS, the purpose of the grant is to (name activities) for the residents of (name of City, Town, County or region), and

WHEREAS, the (City/Town/County), desires to sub-grant the CDBG-ED funds to the Sub-recipient and engage the Sub-recipient to (name activities) on the (City/Town/County)'s behalf, and

WHEREAS, the Department has required the (City/Town/County) to enter into a Sub-recipient agreement with the Sub-recipient specifying the terms and conditions of the (City/Town/County)'s delegation of certain CDBG-ED responsibilities to the Sub-recipient, and

WHEREAS, (name of Local Development Organization) is qualified as a (local development corporation or a nonprofit organization serving the development needs of the communities of non-entitlement areas) as defined by §105(a)(15) of Title I of the Housing and Community Development Act (the "Act"), and

WHEREAS, the parties to this Agreement understand that neither of them has in any way, expressly or impliedly, abrogated any of its individual powers, and further agree that this Agreement does not create any new organization or legal entity.

NOW, THEREFORE, in consideration of the mutual covenants and conditions set out in this Agreement, the parties agree as follows:

A. SPECIAL PROVISIONS. The (City/Town/County) agrees, under the terms and conditions of this Agreement, to sub-grant CDBG-ED funds for (name of activities) to the Sub-recipient.

B. INDEPENDENT SUB-RECIPIENT. It is understood by the parties hereto that the

Sub-recipient is an independent Sub-recipient and that neither its principals nor its employees, if any, are employees of the (City/Town/County) for purposes of tax, retirement system, or social security (FICA) withholding. It is further understood that pursuant to section 39-71-401, MCA, the Sub-recipient has obtained, and will maintain at its expense for the duration of this Contract, coverage in a workers' compensation plan for its principals and employees for the services to be performed hereunder.

C. COMPENSATION. Neither the cost of architectural, engineering, or grant administrative services plus a percentage of that cost method nor the percentage of construction cost method will serve as the basis for compensating the sub-recipient for its services provided under this Contract.

For the satisfactory completion of the services to be provided under this Contract, the (City/Town/County) will pay the Sub-recipient a sum not to exceed \$_____ as in the manner set forth in the attached Exhibit _____, which by this reference is made a part of this contract. Each specific service the Sub-recipient will provide under this contract, and the maximum amount that the (City/Town/County) will pay the Sub-recipient for each of these services, is set forth in the attached Exhibit _____.

The amount to be paid will be calculated according to the hourly billing rates for the various personnel as described in Exhibit _____. The Sub-recipient may submit monthly requests for payment, based on actual work performed, which must be accompanied by an itemized invoice describing the services furnished, the number of hours worked to accomplish each item, the amount being billed for each item, a description of any other eligible expenses incurred during the billing period, and the total amount being billed.

D. SCOPE OF SERVICES. The Sub-recipient will perform the following services:
(Here, or in an exhibit to the contract, explicitly and completely list the services and products the grant recipient expects of the Sub-recipient, including the timetable for completion of key tasks. Consult with your CDBG-ED liaison as to the specific services which may be appropriate for each grant category.)

It is understood and agreed by the parties that the services of the Sub-recipient do not include any of the following: the disbursement or accounting of funds distributed by the (City/Town/County)'s financial officer, legal advice, fiscal audits or assistance with activities not related to the CDBG-ED project.

1. The Sub-recipient will be responsible for all facets of the CDBG-ED gap financing and technical assistance project as described in the (City/Town/County)'s CDBG-ED application.

2. During the term of this Agreement, the Sub-recipient will maintain reasonable records of its performance under this Agreement in a manner consistent with generally accepted accounting principles. The Sub-recipient will allow the (City/Town/County)'s authorized representatives access to these records at anytime during normal business hours. At the request of the (City/Town/County), the Sub-recipient will submit to the

(City/Town/County), in the format prescribed by the (City/Town/County), status reports on its performance under this agreement.

3. If the Sub-recipient ceases to exist or an Event of Default occurs, all grant funding on hand and accounts or notes receivable related to this agreement, will revert to the (City/Town/County).

E. DURATION OF THE AGREEMENT. This Agreement will become effective upon authorization by the (City/Town/County) (Council Members or Commissioners) and the (name of Local Development Organization) Board of Directors and approval by the Department.

This Agreement will terminate if either party fails to meet the conditions of this Agreement or if an Event of Default occurs.

F. ADMINISTRATION.

1. For the purposes of implementing this Agreement, the (City/Town/County) will appoint a local government project liaison that will work with the Sub-recipient. The parties will meet as necessary to provide for the efficient and smooth implementation of this Agreement and the activities contained herein. This Agreement will run concurrently with the Management Plan, which governs the management of the initial CDBG-ED grant, and will follow the Management Plan for issues related to the initial grant.

2. The Sub-recipient will comply with the “Certifications for Application” signed by the (City/Town/County) and submitted with the application for economic development assistance to the Department of Commerce.

3. The Sub-recipient will comply with Procurement Standards as outlined in Chapter 3 and Chapter 8 of the CDBG Grant Administration Manual before entering into any agreements to remodel, to purchase equipment or material, or to retain the services of a consultant or Sub-recipient.

4. The CDBG-ED project fund will be audited on a yearly basis in conjunction with Sub-recipient’s agency-wide audit and the audit will be conducted according to OMB Circular A-133.

G. CONFLICT OF INTEREST. The Sub-recipient covenants that it presently has no interest and will not acquire any interest, direct or indirect, in the CDBG-ED project which would conflict in any manner or degree with the performance of its services hereunder. The Sub-recipient further covenants that, in performing this Contract, it will employ no person who has any such interest.

H. DISPOSITION OF REAL PROPERTY OR EQUIPMENT ACQUIRED. Upon the expiration of the Agreement, the Sub-recipient will transfer to the (City/Town/County) any CDBG-ED funds on hand at the time of expiration and any accounts receivable attributable from the use of CDBG-ED funds. With respect to any real property or

equipment under the Sub-recipient control that was acquired or improved in whole or in part with CDBG-ED funds in excess of \$25,000, the Sub-recipient will either:

1. Use the property to meet the national objectives contained in 24 CFR section 570.901 for five (5) years after expiration of the Agreement; or
2. Dispose of the property in a manner consistent with OMB Circular A-102 Attachment "n" and as approved by the Department. Reimbursement is not required after the period of time specified in the first paragraph of this section. The proceeds from such disposition will be subject to the applicable provisions of 24 CFR 570.504 (program income).

I. DOCUMENTS INCORPORATED BY REFERENCE. The *(City/Town/County)*'s application to the Department for CDBG-ED funding, dated _____, 20____, and all applicable federal and state statutes and regulations are incorporated into this Contract by this reference and are binding upon the Sub-recipient.

J. ANTI-PIRATING CLAUSE. The Sub-Recipient expressly agrees to comply with the Prohibition on Use of Community Development Block Grant Assistance for Job-Pirating Activities under 24CFR, Part 570, Prohibition on Use of Assistance for Employment Relocation Activities. Notwithstanding any other provision of law, no amount from a grant under section 106 made in fiscal year 1999 or any succeeding fiscal year may be used to assist directly in the relocation of any industrial or commercial plant, facility, or operation, from one area to another area, if the relocation is likely to result in a significant loss of employment in the labor market area from which the relocation occurs. Sub-recipient agrees to comply with 24 CFR 570.482 (3)(i) through (iii).

K. CIVIL RIGHTS ACT OF 1964. The Sub-recipient will abide by the provisions of the Civil Rights Act of 1964 which states that under Title VI, no person may, on the grounds of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

L. SECTION 109 OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974. The Sub-recipient will comply with the following provision: No person in the United States may on the grounds of race, color, national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with the funds made available under this title. Any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1975 or with respect to an otherwise qualified handicapped individual as provided in Section 504 of the Rehabilitation Act of 1973 will also apply to any such program or activity.

M. SECTION 3 OF THE HOUSING AND URBAN DEVELOPMENT ACT OF 1968. The Sub-recipient will ensure that to the greatest extent feasible, opportunities for

training and employment arising in connection with this CDBG-ED-assisted project will be extended to lower income project area residents. Further, the Sub-recipient will, to the greatest extent feasible, utilize business concerns located in or substantially owned by residents of the project area, in the award of contracts and purchase of services and supplies.

N. MINORITY BUSINESS ENTERPRISE. Consistent with the provisions of Executive Order 11246, the Sub-recipient will take affirmative steps to assure that minority businesses are used when possible as sources of supplies, equipment, construction and services. Additionally, the Sub-recipient will document all affirmative steps taken to solicit minority businesses and will forward this documentation along with the names of the minority Sub-recipients and suppliers to the local government CDBG-ED recipient upon request.

O. NONDISCRIMINATION. The Sub-recipient will not discriminate against any employee or applicant for employment on the basis of race, color, religion, creed, political ideas, sex, age, marital status, physical or mental handicap, or national origin.

P. OWNERSHIP AND PUBLICATION OF MATERIALS. All reports, information, data, and other materials prepared by the Sub-recipient pursuant to this Contract are the property of the (City/Town/County) and the Department which have the exclusive and unrestricted authority to release, publish or otherwise use, in whole or part, information relating thereto. Any reuse without written verification or adaptation by the Architect/Engineer for the specific purpose intended will be at the Owner's sole risk and without liability or legal exposure to the Architect/Engineer. No material produced in whole or in part under this Contract may be copyrighted or patented in the United States or in any other country without the prior written approval of the (City/Town/County) and the Department.

Q. REPORTS AND INFORMATION. The Sub-recipient will maintain accounts and records, including personnel, property and financial records, adequate to identify and account for all costs pertaining to this Contract and such other records as may be deemed necessary by the (City/Town/County) to assure proper accounting for all project funds, both federal and non-federal shares. These records will be made available for audit purposes to the (City/Town/County) or its authorized representative, and will be retained for three years after receipt of final payment for the services rendered under this Contract unless permission to destroy them is granted by the (City/Town/County).

R. ACCESS TO RECORDS. It is expressly understood that the Sub-recipient's records relating to this Contract will be available during normal business hours for inspection by the (City/Town/County), the Department, the U.S. Department of Housing and Urban Development, the U.S. Comptroller General, and, when required by law, the Montana Legislative Auditor and Legislative Fiscal Analyst.

S. INDEMNIFICATION. The Sub-recipient waives any and all claims and recourse

against the (City/Town/County), including the right of contribution of loss or damage to person or property arising from, growing out of, or in any way connected with or incidental to the Sub-recipient's performance of this Agreement, except claims arising from the concurrent or sole negligence of the (City/Town/County) or its officers, agents or employees. The Sub-recipient will indemnify, hold harmless, and defend the (City/Town/County) against any and all claims, demands, damages, costs, expenses, or liability arising out of the Sub-recipient's performance of this Agreement except for liability arising out of the concurrent or sole negligence of the (City/Town/County) or its officers, agents, or employees.

T. INSURANCE. It is advised that the Sub-recipient consult their insurer or attorney for more specific advice on provisions that they may want to include under this section, or any other section of this agreement.

U. TERMINATION OF AGREEMENT. If any of the following events occur, the (City/Town/County) may, in its sole discretion, declare such event a default under this Agreement:

1. Any representation or warranty made by the Sub-recipient in this Agreement or in any request or certificate or other information furnished to the (City/Town/County) under this Agreement proves to have been incorrect in any material respect; or
2. The Sub-recipient fails in any material respect to carry out its obligations under its proposal to the (City/Town/County) for the assistance provided under this Agreement.

If the Sub-recipient fails to perform any of its duties under this Agreement or if any event of default occurs, the (City/Town/County) may declare the Sub-recipient to be in default and thereafter give the Sub-recipient written notice setting forth the action or inaction which constitutes the default and giving the Sub-recipient 45 days in which to correct the default. If the Sub-recipient fails to correct the default within 45 days of receipt of this notice, the (City/Town/County) may notify the Sub-recipient in writing that any amount that is payable under this Agreement is due and payable in full within 45 days and this Agreement is terminated.

It is agreed by the parties that the provisions of this Agreement provide for reasonable and sufficient notice to be given to the Sub-recipient in case of the Sub-recipient's failure to comply with any of its covenants and that this notice is sufficient for the Sub-recipient to rectify its actions or inactions of default.

The waiver by the (City/Town/County) of any default by the Sub-recipient does not constitute a waiver of a continuing breach or a waiver of a subsequent breach. Any agreement contrary to this Agreement is not binding upon either party unless it is in writing and signed by both parties.

V. CONSTRUCTION AND VENUE.

This Agreement will be construed under and governed by the laws of the State of Montana. The (City/Town/County) and the Sub-recipient agree that performance of this Agreement is in the County of _____, State of Montana and that in the event of litigation concerning it, venue is in the District Court of the ____th Judicial District in and for the County of _____, Montana.

W. ELIGIBILITY. The Sub-recipient certifies that the Sub-recipient's firm and the firm's principals are not debarred, suspended, voluntarily excluded, or otherwise ineligible for participation in federally assisted contracts under Executive Order 12549, "Debarment and Suspension". (24 CFR 24.505)

This Sub-recipient Agreement has been approved by (name of City, Town, or County) (Board of Commissioners or Council Members) and (name of Local Development Organization) Board of Directors.

IN WITNESS THEREOF, the parties hereto have caused this Agreement to be executed.

(Name of City, Town or County):

(Name of Local Development Organization):

(Name of Chief Elected Official)

(Name of Director)

Date

Date

Attest:

Attest:

(ATTACH ANY EXHIBITS HERE)

For Example:

Exhibit "A" – CDBG-ED Grant Contract between the Department of Commerce & the (City/Town/County)

Exhibit "B" – Management Plan for the Project (between the (City/Town/County) and the Sub-recipient, as approved by the Department of Commerce)

Exhibit "C" – Schedule of Fees (see example on page L2.9)

Example of “Schedule of Fees”

Local Development Organization Schedule of Fees

PERSONNEL EXPENSES

Project Manager – Anticipated work hours for 2 year project

875 hours @ \$30/hour = \$26,250.00

Benefits – Health insurance, annual leave, etc.

875 hours @ \$3.00/hour = \$ 2,625.00

TRAVEL (\$.35/mile)

26 trips out to project site @ \$10.78 = \$ 280.28

6 trips to other office @ \$47.04 = \$ 282.24

SUPPLIES (10% overhead)

Office supplies =\$ 2,587.48

Postage

Printing and copying

Telephone

TOTAL \$32,025.00

APPENDIX M1

SAMPLE MANAGEMENT PLAN (*Local Government Management*)

This document is only a sample. It is important that local officials create a management plan based on how things are actually done (especially in regards to the financial management) by the local government; the sample management plan should not simply be copied if it does not fit the local government's particular situation.

MONTANA DEPARTMENT OF COMMERCE
COMMUNITY DEVELOPMENT BLOCK GRANT
ECONOMIC DEVELOPMENT PROGRAM
CONTRACT NO. MT-CDBG-ED-xx-xx
(Name of Assisted Business)

A. Administrative Structure

The (Name of Local Government) is an incorporated (City/Town/County) with a (Mayor/Council, City Manager/Council or County Commission) form of government. The following persons will have lead responsibility for administering the (City/Town/County)'s (FY xxxx) Community Development Block Grant – Economic Development (CDBG-ED) Project to (description of project) for (Name of Assisted Business):

1. (Name and Title of the Chief Elected Official), as the (City/Town/County)'s chief elected official, will have responsibility for all official contacts with the Montana Department of Commerce (MDOC). The (Chief Elected Official), and (Council or Commissioners) will have the ultimate authority and responsibility for the (City/Town/County)'s (FY xxxx) implementation of the CDBG-ED project to (description of project) for (Name of Assisted Business). The (Chief Elected Official) will approve and sign administrative documents, designate the Environmental Certifying Officer and approve all requests for payment from the CDBG-ED program. The (Council or Commissioners) will approve all contracts and drawdown requests. The telephone number for the (Chief Elected Official and Council or Commissioners) is (406) (xxx-xxxx). (Email xxxx@xxx)
2. (Name), (City/Town/County) Fiscal Officer, will act as Finance Manager for the CDBG-ED project and will be responsible for management of and record keeping for CDBG-ED funds and other funds involved in the financing of the (description of project) for (Name of Assisted Business). Approximately (amount, i.e. one-tenth) of his time will be devoted to CDBG-ED administration during the term of the project. (Telephone (406) (xxx-xxxx).) (Email xxxx@xxx)
3. (Name), (City/Town/County) Clerk, will maintain all records for the project. Approximately (amount, i.e. one-tenth) of (his/her) time will be devoted to maintaining CDBG-ED records. (Telephone (406) (xxx-xxxx).) (Email xxxx@xxx)

4. (Name), (City/Town/County) Grants Administrator, will be the Project Manager. (He/She) will be the liaison between (Name of Assisted Business) and the (Council or Commissioners), (City/Town/County) Attorney, and the Montana Department of Commerce. He/she will make appropriate recommendations and route all contract documents, required administrative documents, and drawdowns. On behalf of the (Council or Commissioners), (he/she) will maintain the project files, be responsible for Federal, State and programmatic requirements and manage the administration and implementation of the CDBG-ED project to expand the business of (Name of Assisted Business). (He/she) will be responsible for assisting the applicant with all aspects of managing the project, including the completion of the environmental review, preparation of contracts, loan agreements, low-to-moderate income documentation and monitoring. Approximately (amount, i.e. one-third) of (his/her) time will be devoted to CDBG-ED administration during the term of tile project. (Telephone: (406) (xxx-xxxx).) (Email xxxx@xxx)
5. (Name), (City/Town/County) Attorney, will review and advise the (Council or Commissioners) regarding any proposed contractual agreements associated with the CDBG-ED project and will provide any other legal guidance as requested. The (City/Town/County) Attorney will review and approve all loan agreements and related documents. (Telephone: (406) (xxx-xxxx).) (Email xxxx@xxx)
6. (Name), Controller for (Name of Assisted Business) will serve as the project representative for (Name of Assisted Business).
7. The local Job Service will be responsible for screening and verifying income levels for all job applicants and maintaining employment files in accordance with CDBG – ED guidelines.
8. In accordance with the Single Audit Act, as amended, an independent auditing firm will review and make a report on the CDBG-ED.

B. Project Management

1. The Project Manager will be responsible for:
 - a. Ensuring that the Loan/Grant Agreement between (Name of Local Government) and (Name of Assisted Business) is executed.
 - b. Preparing the Environmental Review Record (ERR) to assure full compliance with the National and Montana Environmental Policy Acts and any other applicable environmental requirements. The Project Manager also will be responsible for preparing any required legal notices for the ERR Process and for ensuring required public hearings or informational meetings are conducted.
 - c. Preparing a Request for Release of Funds (RROF) for submittal to the MDOC.

- d. Developing the contract with the MDOC and administering all requirements related to effective project start-up and implementation.
 - e. Preparation of contracts and loan agreements between the (City/Town/County) and (Name of Assisted Business).
 - f. Assisting (Name of Assisted Business) and the local Job Service with documentation of low-to-moderate income documentation.
 - g. Establishing and maintaining complete and accurate project files and preparing all documentation and reports incidental to administration of the grant.
 - h. Reviewing all proposed project expenditures or requests for payment to ensure their propriety and proper allocation of expenditures to the CDBG-ED project budget.
 - i. In cooperation with the (City/Town/County) Fiscal Officer, reviewing requests for payment to ensure compliance, processing payment requests and preparing drawdown requests for the CDBG-ED, including the *Request for Payment and Status of Funds Reports* and the *Project Progress Report*.
 - j. Preparing all required performance reports and closeout documents for submittal to the (City/Town/County) for review and submittal to the CDBG-ED Program.
 - k. Project liaison with (Name of Assisted Business), the community and (Council or Commissioner) meetings to provide project status reports and representing the project at any other public meetings, as deemed necessary by the (Council or Commissioners).
 - l. Project monitoring.
 - m. Public Relations, which includes acting as a contact person for persons interested in the project, preparing press releases, and disseminating project information.
2. The (City/Town/County) Attorney will be responsible for:
- a. Reviewing all proposed contractual agreements for the CDBG-ED program.
 - b. Ensuring that any agreements necessary, including the Loan/Grant Agreement, between (Name of Assisted Business) and (Name of Local Government) are properly executed.

C. Financial Management

1. The Finance Manager's responsibilities will be as follows:

- a. Establishing the CDBG-ED Program line item account and disbursing CDBG-ED funds from that account based on claims and supporting documents approved by the Project Manager. Since the (City/Town/County) uses a non-interest bearing compensative balance for its general disbursements, a separate CDBG-ED account is not necessary. The balance of CDBG-ED funds in the (City/Town/County) account will not exceed \$5,000 for a period of more than three (3) days, and all CDBG-ED funds drawn by the grantee will be expended for eligible costs within 15 days.
- b. Entering all project transactions into the (City/Town/County)'s existing accounting system (BARS) and preparing checks/warrants for approved expenditures.
- c. With the assistance of the Project Manager, preparing the *Request for Payment and Status of Funds Reports* to be submitted to the MDOC. All drawdown requests will be signed by two of the three following persons: two (Council or Commissioner) members and the (City/Town/County) Fiscal Officer. No expenditures will be made without the approval of the (Council or Commissioners).
- d. With the assistance of the Project Manager, preparing the final financial reports for project closeout.

Original financial documents (claims with attached supporting documents) will be retained in the (City/Town/County) Clerk's office.

Monthly time sheets and daily project logs will be maintained by (City/Town/County) staff to document all time worked on the CDBG-ED project.

IN WITNESS WHEREOF, the parties hereto acknowledge that the parties named within are aware of their responsibilities and execute this Agreement on the _____ day of _____, 20__.

PROJECT ADMINISTRATOR:

(Name, Title)
(Local Development Organization (LDO))

 Date

(Name of City, Town or County):

(Name, Title of Elected Official)
(Name of Local Government)

 Date

Example of a Local Government's supporting documentation to be submitted with a Request for Reimbursement for administrative services attributable to the project.

(Submitted to the CDBG-ED program with the Request for Reimbursement form as supporting documentation for a Local Government's Administrative Services reimbursement)

PUNXSUTAWNEY ECONOMIC DEVELOPMENT PROJECT

Local Government Staff Project Hours

June-August 2014

<u>Staff</u>	<u>Hours</u>	<u>Activity</u>	<u>Date Performed</u>
Johnson	4.0	Meet w/ city and engineer	6/8/14
Williams	2.0	Reviewed Contracts	6/20/14
Williams	3.0	Reviewed Files, Prepared progress report	7/24/14
Johnson	4.0	Meet w/ CDBG-ED rep at project site (40 travel miles)	8/4/14
Williams	2.0	Prepare drawdown #1 and progress report	8/22/14

Total Hours Williams 7.0
Johnson 8.0

Williams	7.0 hours @ \$40/hour	\$280.00
Johnson	8.0 hours @ \$60/hour	\$480.00

Travel to City and Project site (40 mi. @ \$.50/mi.)	<u>\$ 20.00</u>
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Invoice Total:	\$780.00
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See the attached additional documentation substantiating the charges.

APPENDIX M2

SAMPLE MANAGEMENT PLAN (Loan Project Managed by Third-Party Nonprofit)

This document is only a sample. It is important that local officials create a management plan based on how things are actually done (especially in regards to the financial management) by the local government; the sample management plan should not simply be copied if it does not fit the local government's particular situation.

MONTANA DEPARTMENT OF COMMERCE
COMMUNITY DEVELOPMENT BLOCK GRANT
ECONOMIC DEVELOPMENT PROGRAM
CONTRACT NO. MT-CDBG-ED-xx-xx
(Name of Assisted Business)

In Fiscal Year (xxxx), the (Name of Local Government) received a grant from the Montana CDBG-ED Program that will be loaned to (Name of Assisted Business). The loan repayments will be used to continue the development of the CDBG-ED Revolving Loan Fund, (hereinafter called "The RLF"). The RLF will be used to provide financial capital to create or expand businesses in the (Name of Local Government) in equal proportion with private financing. New and expanding businesses that borrow funds from the RLF will promise to provide jobs to low and moderate-income (LMI) families in the (Name of Local Government). The (City/Town/County) will enter into a Sub-Recipient Agreement with (name of Local Development Organization) (LDO) for administering the CDBG-ED Project and the RLF. This Management Plan is written to assure proper management of the CDBG-ED project, which includes financial management of grant funds, compliance with State and federal requirements, timely start-up and completion of project activities, and prudent administration of ongoing loan repayments.

A. ADMINISTRATIVE STRUCTURE

1. LOCAL GOVERNMENT GRANTEE

The (Name of Local Government) is an incorporated (City/Town/County) with a (Mayor/Council, City Manager/Council or County Commission) form of government. The following persons will have lead responsibility for administering the (City/Town/County)'s FY (xxxx) Community Development Block Grant-Economic Development (CDBG-ED) Project on behalf of the (City/Town/County) to (Describe Activity Funded) for (Name of Assisted Business).

- a. (Name, Local Government Elected Official), as the (City/Town/County)'s chief elected official, will have responsibility for all official contacts with the Montana Department of Commerce (MDOC). The (Local Government Elected Official) and (Council or Commissioners) will have the ultimate authority and responsibility for the implementation of the (Name of Local Government)'s FY (xxxx) CDBG-ED project for Economic Development to facilitate an expansion of (Name of Assisted

Business). The **(Local Government Elected Official)** will approve and sign administrative documents, designate the Environmental Certifying Officer and approve all requests for payment from the CDBG-ED program. The **(Council or Commissioners)** will approve all contracts and drawdown requests. The telephone number for the **(Local Government Elected Official)** and **(Council or Commissioners)** is (406) **(xxx-xxxx)**. **(Email xxxx@xxx)**

- b. **(Name)**, **(City/Town/County)** Attorney, will review any proposed contractual agreements associated with the CDBG-ED Project, advise the **(Council or Commissioners)** regarding the agreements, and provide any other legal guidance as requested. (Telephone: (406) **(xxx-xxxx)**.) **(Email xxxx@xxx)**
- c. **(Name)**, **(City/Town/County)** Clerk, will be responsible for maintaining records related to the management of the initial CDBG-ED project funds for the **(Name of Local Government)**. (Telephone: (406) **(xxx-xxxx)**.) **(Email xxxx@xxx)**
- d. **(Name)**, **(City/Town/County)** **(Position (i.e. County Development Office))**, will be the liaison between the **(name of Local Development Organization)** (LDO), the **(Council or Commission)** members and the **(City/Town/County)** Attorney. **(He/She)** will make appropriate recommendations and route all contract documents, administrative documents, and drawdowns as necessary. **(He/She)** will also be responsible for the Environmental Review process. (Telephone: (406) **(xxx-xxxx)**.) **(Email xxxx@xxx)**

2. **(Name of Local Development Organization)** (LDO)

To provide general technical assistance, coordination of funding sources, assurances of compliance with all applicable state and federal requirements for the CDBG-ED program, the **(Name of Local Government)** has designated the **(name of Local Development Organization)** (LDO) as its Project Administrator. **(Name of Local Development Organization)** (LDO) is a not-for-profit 501(c)(3) Local Community Development Agency located in **(Name of Local Government)**. The following **(name of Local Development Organization)** (LDO) personnel will be responsible for the project:

- a. **(Name)**, Executive Director, will be responsible for all official contacts with the **(Name of Local Government)** on behalf of **(name of Local Development Organization)** (LDO), keeping the **(name of Local Development Organization)** (LDO) Board of Directors apprised of project status, and entering agreements on behalf of **(name of Local Development Organization)** (LDO). (Telephone: (406) **(xxx-xxxx)**.) **(Email xxxx@xxx)**

- b. (Name), Project Manager, will be responsible for overall coordination of the CDBG-ED Grant awarded to the (Name of Local Government). (He/She) will establish and maintain complete and accurate project files, monitor all project activities for compliance with all applicable requirements, and supervise the project outreach, intake, application and project selection process. (Telephone: (406) (xxx-xxxx).) (Email xxxx@xxx)
- c. (Name), Fiscal Officer, will be responsible for the fiscal management of the project, in coordination with the Project Manager and in accordance with the (name of Local Development Organization) (LDO) Fiscal Procedures Manual. (He/She) will assure compliance with all applicable federal, state and local requirements, keep all fiscal records and accounts for the (name of Local Development Organization) (LDO), assure coordination of all funding sources, review all project expenditures from the business, process pay requests, draft drawdown requests, and prepare all project closeout documents. (Telephone: (406) (xxx-xxxx).) (Email xxxx@xxx)

B. PROJECT MANAGEMENT

1. (Name), (City/Town/County), (Position) will:

- a. Complete the environmental review for each project to assure compliance with National and Montana Environmental Policy Acts
- b. Complete the Statutory Checklist or Consolidated Environmental Assessment Form, as applicable, and any other applicable environmental requirements
- c. Prepare any legal notices required to be published for the environmental review process and conduct any required public hearings or informational meetings
- d. Prepare a request for release of funds to the MDOC
- e. Assist in the development of a CDBG-ED contract between the (City/Town/County) and the MDOC
- f. Review, approve, and submit the CDBG-ED drawdown requests, after preparation by (name of Local Development Organization) (LDO) and approval by the (Council or Commissioners), to the CDBG-ED Program, Business Resources Division, Montana Department of Commerce, and ensure disbursement of funds to the (name of Local Development Organization) (LDO) for loan closings and administrative expenses
- g. Review and approve all CDBG-ED closeout documents.

2. As a subgrantee, the Project Administrator, (name of Local Development Organization) (LDO), is responsible for the following day to day project activities:
- a. Coordinating with the (Name of Local Government) for completion of the environmental review process required of each CDBG-ED project considered for funding to assure full compliance with the National and Montana Environmental Policy Acts and the preparation of any legal notices required to be published for the environmental review process and conducting any required public hearings or informational meetings.
 - b. Assisting the (Name of Local Government) and the MDOC in developing the (Name of Local Government) contract with the MDOC that will address all requirements related to effective project start-up and implementation. This will include preparation of all management agreements between the (Name of Local Government) and the Project Administrator.
 - c. Establishing and maintaining complete and accurate project files and preparing all documentation and reports incidental to administration of the grant
 - d. Reviewing all proposed project expenditures or requests for payment from the business to ensure their propriety and proper allocation of expenditures to the CDBG-ED budget.
 - e. In cooperation with the (Name of Local Government) project manager, processing quarterly payment requests and preparing drawdown requests to the MDOC, including the Request for Payment and Status of Funds Report and the Project Progress Report
 - f. Assuring compliance with applicable civil rights requirements included in the (Name of Local Government)'s adopted equal opportunity plan and fair housing resolution
 - g. Preparing all required performance reports and closeout documents for submittal to MDOC and assisting the (Name of Local Government) auditors with the completion of the project's audit requirements
 - h. Closing the CDBG-ED loan in a timely fashion in accordance with the project implementation schedule
 - i. Monitoring the borrower's compliance with the requirements of the loan agreement including monthly payments, implementation of the project hiring and training plan, submission of monthly financial statements, and documentation of benefit to low and moderate-income families
 - j. Preparing the Program Income Plan for the project and securing MDOC approval for that plan before closing the CDBG-ED loan

- k. Attending (Council or Commissioners) meetings to provide project status reports and representing the CDBG-ED project at any other public meetings as deemed necessary by the (Council or Commissioners)
- l. Developing a means for assisting the ultimate loan recipients with fulfilling the hiring and training plan requirements, including reports to MDOC regarding progress.

C. FINANCIAL MANAGEMENT

- 1. The (Name of Local Government) Clerk will be responsible for:
 - a. Establishing a CDBG-ED bank account and transferring CDBG-ED funds from that account to the (Name of Local Government) treasury for disbursements, based on claims and supporting documents approved by the Project Manager and (Council or Commissioners). As the (City/Town/County) uses an interest bearing account for its general disbursements a separate non-interest bearing account will be used for CDBG-ED funds. Balances in that account will not exceed \$5,000 for a period of three days. Funds will be transferred to the (name of Local Development Organization) (LDO) account and the (name of Local Development Organization) (LDO) will disperse funds to the borrowers.
 - b. Entering all project transactions into the (City/Town/County)'s existing accounting system (BARS) and preparing warrants for approved expenditures.
 - c. With the assistance of the Project Administrator, preparing the Request for Payment and Status of Funds Reports to be submitted to MDOC. All drawdown requests will be signed by two of the three following persons: (i.e. Mayor, Director of the County Development Office, President of the City Council).
 - d. The (i.e. Project Administrator, the County Development Director and/or City Clerk) will review all proposed expenditures of CDBG-ED funds and will prepare drawdown requests, which will be signed by the officials cited above. All disbursements will be made in accordance with the (City/Town/County) established claim review procedures. Before submitting the claim to the (City/Town/County) Clerk, the Project Administrator will attach a certification to each claim stating that the proposed expenditure is an eligible expense of the (City/Town/County) CDBG-ED grant and consistent with the project budget.
 - e. With the assistance of the Project Administrator, preparing the final financial report for project closeout.

- f. Financial record keeping will conform to the recommendations of the MDOC/Local Governmental Services Bureau as described in Chapter 4 of the CDBG Grant Administration Manual. The original financial documents (claims with all supporting documents attached) will be retained in the (Name of Local Government) offices.
- g. With oversight and approval from (Name of Local Government), (name of Local Development Organization) (LDO) will administer the project within the framework of its financial procedures manual. These procedures are designed to ensure the efficient and effective administration of federal grants within the constraints of uniform federal compliance requirements as outlined in OMB Circular A-110 and further codified in 24 CFR 570-502 (Revised as of April 1, 1997).
- h. A separate fund for the project will be set up within the general ledger accounts at (name of Local Development Organization) (LDO). All CDBG-ED activities including revenues, administrative expenditures, loans, and loan repayments will be segregated recorded, and reported in this fund and will be entitled "(Name of Local Government) CDBG-ED Project Fund". The first transaction from the fund will be a loan to (Name of Assisted Business) for (\$xxx,xxx.xx). In conjunction with the loan closing date, the first drawdown from project activity funds will be requested from the (Name of Local Government). (Name of Local Development Organization) (LDO) will prepare the drawdown request and forward it to the (City/Town/County). The (City/Town/County) will review the request in accordance with its normal claim review process, sign the request, and forward it to the MDOC. The loan closing date will be scheduled to coincide with receipt of funds in the (Name of Local Government) account to prevent interest earnings on cash held at either the (Name of Local Government) or (name of Local Development Organization) (LDO) before ultimate loan disbursement to (Name of Assisted Business).
- i. Subsequent draw downs will consist of **administrative payments** from the (Name of Local Government) to the (name of Local Development Organization) (LDO). **Administrative payments will consist of reimbursement for actual time and costs incurred.** The (name of Local Development Organization) (LDO) will prepare the CDBG-ED draw down and attach a copy of a detailed invoice. Upon review and approval, the (Name of Local Government) will forward the draw down request to the MDOC. The (Name of Local Government) will reimburse the (name of Local Development Organization) (LDO) for eligible administrative expenses upon receipt of funds from the MDOC.
- j. The CDBG-ED project fund will be audited on a yearly basis in conjunction with (Name of Local Government)'s audit, and the audit will be conducted according to OMB Circular A-133.

PROGRAM INCOME AND REVOLVING LOAN FUND

Repayments of principal and interest on the note to (Name of Assisted Business) will be deposited in the Revolving Loan Fund (see RLF Plan). It is the intent of the (Name of Local Government) and (name of Local Development Organization) (LDO) to maintain net equity in the fund at the original project level, (\$xxx,xxx). Interest earnings will be used to fund administrative expenses and loan loss reserves. The fund will be managed to provide a source of ongoing funding for the (Name of Local Government) projects that impact LMI persons. Before the beginning of each year, (name of Local Development Organization) (LDO) will report the results of operations and the fund's financial position to the (Name of Local Government). At that time, an administrative budget for the following year will also be submitted for review and approval. Based upon (name of Local Development Organization) (LDO) success in program management, the (City/Town/County) will authorize administrative expenses for the next year's activity.

If (name of Local Development Organization) (LDO) ceases to exist or an event of default occurs, Program Income relating to the CDBG-ED Project, including funds on hand and accounts or notes receivable will revert to the (Name of Local Government).

IN WITNESS WHEREOF, the parties hereto acknowledge that the parties named within are aware of their responsibilities and execute this Agreement on the _____ day of _____, 20__.

PROJECT ADMINISTRATOR:

(Name, Title)
(name of Local Development Organization)

Date

(Name of City, Town or County):

(Name, Title of Elected Official)
(Name of Local Government)

Date

Example of a Local Development Organization's Invoice
(Submitted to the Local Government for
CDBG-ED Administrative Services Payment)

Invoice # XXXXX

PUNXSUTAWNEY ECONOMIC DEVELOPMENT PROJECT

Here-to-Help Staff Project Hours

June-August 2014

<u>Staff</u>	<u>Hours</u>	<u>Activity</u>	<u>Date Performed</u>
Johnson	4.0	Meet w/ city and engineer (200 travel miles)	6/8/14
Williams	2.0	Reviewed Contracts	6/20/14
Williams	3.0	Reviewed Files, Prepared progress report	7/24/14
Johnson	4.0	Meet w/ CDBG-ED rep at project site (200 travel miles)	8/4/14
Williams	2.0	Prepare drawdown #1 and progress report	8/22/14

Total Hours Williams 7.0
Johnson 8.0

Williams	7.0 hours @ \$40/hour	\$280.00
Johnson	8.0 hours @ \$60/hour	\$480.00

Travel to City and Project site (400 mi. @ \$.50/mi.)	<u>\$200.00</u>
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Invoice Total: \$960.00

See the attached additional documentation substantiating the charges.

APPENDIX M3

SAMPLE MANAGEMENT PLAN (Grant Project Managed by Third-Party Nonprofit)

This document is only a sample. It is important that local officials create a management plan based on how things are actually done (especially in regards to the financial management) by the local government; the sample management plan should not simply be copied if it does not fit the local government's particular situation.

MONTANA DEPARTMENT OF COMMERCE
COMMUNITY DEVELOPMENT BLOCK GRANT
ECONOMIC DEVELOPMENT PROGRAM
CONTRACT NO. MT-CDBG-ED-xx-xx
(Name of Assisted Business)

In Fiscal Year (xxxx), the **(Name of Local Government)** received a grant from the Montana CDBG-ED Program that will be given to **(Name of Assisted Business)**. New and expanding businesses that receive funds from the CDBG-ED program promise to provide jobs to low and moderate-income (LMI) families in the **(Name of Local Government)**. The **(City/Town/County)** will enter into a Sub-Recipient Agreement with name of **(name of Local Development Organization)** (LDO) for administering the CDBG-ED Project. This Management Plan is written to assure proper management of the CDBG-ED project, which includes financial management of grant funds, compliance with State and federal requirements, and timely start-up and completion of project activities.

A. ADMINISTRATIVE STRUCTURE

1. LOCAL GOVERNMENT GRANTEE

The **(Name of Local Government)** is an incorporated **(City/Town/County)** with a **(Mayor/Council, City Manager/Council or County Commission)** form of government. The following persons will have lead responsibility for administering the **(City/Town/County)**'s FY (xxxx) Community Development Block Grant-Economic Development (CDBG-ED) Project on behalf of the **(City/Town/County)** to **(Describe Activity Funded)** for **(Name of Assisted Business)**.

- a. **(Name, Local Government Elected Official)**, as the **(City/Town/County)**'s chief elected official, will have responsibility for all official contacts with the Montana Department of Commerce (MDOC). The **(Local Government Elected Official)** and **(Council or Commissioners)** will have the ultimate authority and responsibility for the implementation of the **(Name of Local Government)**'s FY (xxxx) CDBG-ED project for Economic Development to facilitate an expansion of **(Name of Assisted Business)**. The **(Local Government Elected Official)** will approve and sign administrative documents, designate the Environmental Certifying Officer and approve all requests for payment from the CDBG-ED program. The **(Council or Commissioners)** will approve all contracts and drawdown requests. The telephone number for the **(Local Government**

Elected Official) and (Council or Commissioners) is (406) (xxx-xxxx).
(Email xxxx@xxx)

- b. (Name), (City/Town/County) Attorney, will review any proposed contractual agreements associated with the CDBG-ED Project, advise the (Council or Commissioners) regarding the agreements, and provide any other legal guidance as requested. (Telephone: (406) (xxx-xxxx).) (Email xxxx@xxx)
- c. (Name), (City/Town/County) Clerk, will be responsible for maintaining records related to the management of the initial CDBG-ED project funds for the (Name of Local Government). (Telephone: (406) (xxx-xxxx).) (Email xxxx@xxx)
- d. (Name), (City/Town/County) (Position (i.e. County Development Office)), will be the liaison between the (name of Local Development Organization) (LDO), the (Council or Commission) members and the (City/Town/County) Attorney. (He/She) will make appropriate recommendations and route all contract documents, administrative documents, and drawdowns as necessary. (He/She) will also be responsible for the Environmental Review process. (Telephone: (406) (xxx-xxxx).) (Email xxxx@xxx)

2. (Name of Local Development Organization) (LDO)

To provide general technical assistance, coordination of funding sources, assurances of compliance with all applicable state and federal requirements for the CDBG-ED program, the (Name of Local Government) has designated the (name of Local Development Organization) (LDO) as its Project Administrator. (Name of Local Development Organization) (LDO) is a not-for-profit 501(c)(3) Local Community Development Agency located in (Name of Local Government). The following (name of Local Development Organization) (LDO) personnel will be responsible for the project:

- a. (Name), Executive Director, will be responsible for all official contacts with the (Name of Local Government) on behalf of (name of Local Development Organization) (LDO), keeping the (name of Local Development Organization) (LDO) Board of Directors apprised of project status, and entering agreements on behalf of (name of Local Development Organization) (LDO). (Telephone: (406) (xxx-xxxx).) (Email xxxx@xxx)
- b. (Name), Project Manager, will be responsible for overall coordination of the CDBG-ED Grant awarded to the (Name of Local Government). (He/She) will establish and maintain complete and accurate project files, monitor all project activities for compliance with all applicable requirements, and supervise the project outreach, intake, application and project selection process. (Telephone: (406) (xxx-xxxx).) (Email xxxx@xxx)

- c. (Name), Fiscal Officer, will be responsible for the fiscal management of the project, in coordination with the Project Manager and in accordance with the (name of Local Development Organization) (LDO) Fiscal Procedures Manual. (He/she) will assure compliance with all applicable federal, state and local requirements, keep all fiscal records and accounts for the (name of Local Development Organization) (LDO), assure coordination of all funding sources, review all project expenditures from the business, process pay requests, draft drawdown requests, and prepare all project closeout documents. (Telephone: (406) (xxx-xxxx).) (Email xxxx@xxx)

B. PROJECT MANAGEMENT

- 1. (Name), (City/Town/County), (Position) will:
 - a. Complete the environmental review for each project to assure compliance with National and Montana Environmental Policy Acts
 - b. Complete the Statutory Checklist or Consolidated Environmental Assessment Form, as applicable, and any other applicable environmental requirements
 - c. Prepare any legal notices required to be published for the environmental review process and conduct any required public hearings or informational meetings
 - d. Prepare a request for release of funds to the MDOC
 - e. Assist in the development of a CDBG-ED contract between the (City/Town/County) and the MDOC
 - f. Review, approve, and submit the CDBG-ED drawdown requests, after preparation by (name of Local Development Organization) (LDO) and approval by the (Council or Commissioners), to the CDBG-ED Program, Business Resources Division, Montana Department of Commerce, and ensure disbursement of funds to the (name of Local Development Organization) (LDO) for administrative expenses
 - g. Review and approve all CDBG-ED closeout documents.
- 2. As a sub-grantee, the Project Administrator, (name of Local Development Organization) (LDO), is responsible for the following day to day project activities:
 - a. Coordinating with the (Name of Local Government) for completion of the environmental review process required of each CDBG-ED project considered for funding to assure full compliance with the National and Montana Environmental Policy Acts and the preparation of any legal notices required to be published for the environmental review process and conducting any required public hearings or informational meetings.

- b. Assisting the (Name of Local Government) and the MDOC in developing the (Name of Local Government) contract with the MDOC that will address all requirements related to effective project start-up and implementation. This will include preparation of all management agreements between the (Name of Local Government) and the Project Administrator.
- c. Establishing and maintaining complete and accurate project files and preparing all documentation and reports incidental to administration of the grant
- d. Reviewing all proposed project expenditures or requests for payment from the business to ensure their propriety and proper allocation of expenditures to the CDBG-ED budget.
- e. In cooperation with the (Name of Local Government) project manager, processing quarterly payment requests and preparing drawdown requests to the MDOC, including the Request for Payment and Status of Funds Report and the Project Progress Report
- f. Assuring compliance with applicable civil rights requirements included in the (Name of Local Government)'s adopted equal opportunity plan and fair housing resolution
- g. Preparing all required performance reports and closeout documents for submittal to MDOC and assisting the (Name of Local Government) auditors with the completion of the project's audit requirements
- h. Expending the CDBG-ED funds in a timely fashion in accordance with the project implementation schedule
- i. Monitoring compliance with the requirements of the grant agreement including implementation of the project hiring and training plan, submission of monthly financial statements, and documentation of benefit to low and moderate-income families
- j. Attending (Council or Commissioners) meetings to provide project status reports and representing the CDBG-ED project at any other public meetings as deemed necessary by the (Council or Commissioners)
- k. Developing a means for assisting the ultimate grant recipient with fulfilling the hiring and training plan requirements, including reports to MDOC regarding progress.

C. FINANCIAL MANAGEMENT

- 1. The (Name of Local Government) Clerk will be responsible for:
 - a. Establishing a CDBG-ED bank account and transferring CDBG-ED funds from that account to the (Name of Local Government) treasury for disbursements, based on claims and supporting documents approved by

the Project Manager and (Council or Commissioners). As the (City/Town/County) uses an interest bearing account for its general disbursements a separate non-interest bearing account will be used for CDBG-ED funds. Balances in that account will not exceed \$5,000 for a period of three days. Funds will be transferred to the (name of Local Development Organization) (LDO) account and the (name of Local Development Organization) (LDO) will disperse funds for (describe activity funded).

- b. Entering all project transactions into the (City/Town/County)'s existing accounting system (BARS) and preparing warrants for approved expenditures.
- c. With the assistance of the Project Administrator, preparing the Request for Payment and Status of Funds Reports to be submitted to MDOC. All drawdown requests will be signed by two of the three following persons: (i.e. Mayor, Director of the County Development Office, President of the City Council).
- d. The (i.e. Project Administrator, the County Development Director and/or City Clerk) will review all proposed expenditures of CDBG-ED funds and will prepare drawdown requests, which will be signed by the officials cited above. All disbursements will be made in accordance with the (City/Town/County) established claim review procedures. Before submitting the claim to the (City/Town/County) Clerk, the Project Administrator will attach a certification to each claim stating that the proposed expenditure is an eligible expense of the (City/Town/County) CDBG-ED grant and consistent with the project budget.
- e. With the assistance of the Project Administrator, preparing the final financial report for project closeout.
- f. Financial record keeping will conform to the recommendations of the MDOC/Local Governmental Services Bureau as described in Chapter 4 of the CDBG Grant Administration Manual. The original financial documents (claims with all supporting documents attached) will be retained in the (Name of Local Government) offices.
- g. With oversight and approval from (Name of Local Government), (name of Local Development Organization) (LDO) will administer the project within the framework of its financial procedures manual. These procedures are designed to ensure the efficient and effective administration of federal grants within the constraints of uniform federal compliance requirements as outlined in OMB Circular A-110 and further codified in 24 CFR 570-502 (Revised as of April 1, 1997).
- h. A separate fund for the project will be set up within the general ledger accounts at (name of Local Development Organization) (LDO). All CDBG-ED activities including revenues and administrative expenditures

will be segregated, recorded, and reported in this fund and will be entitled "(Name of Local Government) CDBG-ED Project Fund".

- i. Subsequent draw downs will consist of **administrative payments** from the (Name of Local Government) to the (name of Local Development Organization) (LDO). **Administrative payments will consist of reimbursement for actual time and costs incurred.** The (name of Local Development Organization) (LDO) will prepare the CDBG-ED draw down and attach a copy of a detailed invoice. Upon review and approval, the (Name of Local Government) will forward the draw down request to the MDOC. The (Name of Local Government) will reimburse the (name of Local Development Organization) (LDO) for eligible administrative expenses upon receipt of funds from the MDOC.
- j. The CDBG-ED project fund will be audited on a yearly basis in conjunction with (Name of Local Government)'s audit, and the audit will be conducted according to OMB Circular A-133.

If (name of Local Development Organization) (LDO) ceases to exist or an event of default occurs, Program Income relating to the CDBG-ED Project, including funds on hand and accounts or notes receivable will revert to the (Name of Local Government).

IN WITNESS WHEREOF, the parties hereto acknowledge that the parties named within are aware of their responsibilities and execute this Agreement on the _____ day of _____, 20____. PROJECT ADMINISTRATOR:

(Name, Title)
(name of Local Development Organization)

Date

(Name of City, Town or County):

(Name, Title of Elected Official)
(Name of Local Government)

Date

Example of a Local Development Organization's Invoice
(Submitted to the Local Government for
CDBG-ED Administrative Services Payment)

Invoice # XXXXX

PUNXSUTAWNEY ECONOMIC DEVELOPMENT PROJECT

Here-to-Help Staff Project Hours

June-August 2014

<u>Staff</u>	<u>Hours</u>	<u>Activity</u>	<u>Date Performed</u>
Johnson	4.0	Meet w/ city and engineer (200 travel miles)	6/8/14
Williams	2.0	Reviewed Contracts	6/20/14
Williams	3.0	Reviewed Files, Prepared progress report	7/24/14
Johnson	4.0	Meet w/ CDBG-ED rep at project site (200 travel miles)	8/4/14
Williams	2.0	Prepare drawdown #1 and progress report	8/22/14

Total Hours	Williams	7.0
	Johnson	8.0

Williams	7.0 hours @ \$40/hour	\$280.00
Johnson	8.0 hours @ \$60/hour	\$480.00

Travel to City and Project site (400 mi. @ \$.50/mi.)	<u>\$200.00</u>
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Invoice Total: \$960.00

See the attached additional documentation substantiating the charges.

PART I - SOURCES OF FUNDS STATEMENT

- Please list sources of funding for the project. List both the funding source and the agency that administers the fund, if applicable.
- Include financing (loans and loan guarantees), grants, donations, and equity. Attach letters of commitment.
- Identify each source by **DESCRIPTION CODE** using the codes listed below.
- Indicate in the **COMMITMENT STATUS** column whether **(P)** - Proposed, **(R)** - Requested, or **(A)** - Approved (Include commitment/approval documentation)

LIST ALL SOURCES OF PROJECT FUNDING

SOURCE ↓	AMOUNT (PRINCIPAL \$)	DESCRIP- TION CODE	COMMIT- MENT STATUS	RATE (%)	LOAN TERM (YRS)	AMORTI- ZATION PERIOD (YEARS)	ANNUAL DEBT SERVICE	COLLATERAL		
								TYPE	VALUE	POSITION
1.a. CDBG ADMIN										
1.b. CDBG ACTIVITY										
2.										
3.										
4.										
5.										
6.										

DESCRIPTION CODES

- | | | |
|--|--|---|
| 1. Conventional Bank Loan
2. Equity
3. USDA RD B&I Guarantee Loan
4. USDA RD Direct Loan Program
5. USDA RD REDL&G Program | 6. USDA IRP Program
7. MBOI-Purchase of Federal Guaranteed Loan
8. MBOI-Linked Deposit
9. MBOI-Business Loan Participation
10. EDA | 11. SBA 7A
12. SBA 504
13. Growth thru Agriculture
14. Local RLF
15. Other (specify)_____ |
|--|--|---|

NOTE: TOTAL SOURCES OF FUNDS MUST EQUAL TOTAL USES OF FUNDS!

PART II - USES OF FUNDS							
SOURCE(S) →	1. Total CDBG	2.	3.	4.	5.	6.	TOTAL PROJECT BUDGET
ADMINISTRATION							
Personal Services							\$
Supplies							\$
Communications							\$
Printing/Duplication/Postage							\$
Advertising/Auditing							\$
Travel/Training							\$
Consulting Services							\$
Other Administration (specify)							\$
TOTAL ADMINISTRATION COSTS	\$	\$	\$	\$	\$	\$	\$
ACTIVITY							
Architecture/Engineering Costs							\$
Construction							\$
Machinery/Equipment							\$
Working Capital							\$
Other (specify)							\$
							\$
TOTAL ACTIVITY COSTS	\$	\$	\$	\$	\$	\$	\$
TOTAL PROJECT COSTS	\$	\$	\$	\$	\$	\$	\$

NOTE: TOTAL USES OF FUNDS MUST EQUAL TOTAL SOURCES OF FUNDS!

PART I - SOURCES OF FUNDS STATEMENT (EXAMPLE)

- Please list sources of funding for the project. List both the funding source and the agency that administers the fund, if applicable.
- Include financing (loans and loan guarantees), grants, donations, and equity. Attach letters of commitment.
- Identify each source by **DESCRIPTION CODE** using the codes listed below.
- Indicate in the **COMMITMENT STATUS** column whether **(P)** - Proposed, **(R)** - Requested, or **(A)** - Approved (Include commitment/approval documentation)

LIST ALL SOURCES OF PROJECT FUNDING

SOURCE ↓	AMOUNT (PRINCIPAL \$)	DESCRIP- TION CODE	COMMIT- MENT STATUS	RATE (%)	LOAN TERM (YRS)	AMORTI- ZATION PERIOD (YEARS)	ANNUAL DEBT SERVICE	COLLATERAL		
								TYPE	VALUE	POSITION
1.a. CDBG ADMIN	27,400									
1.b. CDBG ACTIVITY	360,000	N/A	R	8%	7	7	64,511	New Mach. & Equip.	400,000	1st
2. City of Sunrise	50,000	14	A	6%	15	15	5,063	All Mach & Equip	275,000	2nd
3. Equity	240,000	N/A	A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
4. XYZ Bank	86,000	1	R	10%	10	10	13,638	Existing Mach/Equip & Building	275,000	1st
5.										
6.										

DESCRIPTION CODES

- | | | |
|--|--|---|
| 1. Conventional Bank Loan
2. Equity
3. USDA RD B&I Guarantee Loan
4. USDA RD Direct Loan Program
5. USDA RD REDL&G Program | 6. USDA IRP Program
7. MBOI-Purchase of Federal Guaranteed Loan
8. MBOI-Linked Deposit
9. MBOI-Business Loan Participation
10. EDA | 11. SBA 7A
12. SBA 504
13. Growth thru Agriculture
14. Local RLF
15. Other (specify)_____ |
|--|--|---|

NOTE: TOTAL SOURCES OF FUNDS MUST EQUAL TOTAL USES OF FUNDS!

PART II - USES OF FUNDS (EXAMPLE)

SOURCE(S) →	2. Total CDBG	3. City of Sunrise	3. Equity	4. XYZ Bank	5.	6.	TOTAL PROJECT BUDGET
ADMINISTRATION							
Personal Services	2,000						\$ 2,000
Supplies	50						\$ 50
Communications	50						\$ 50
Printing/Duplication/Postage	50						\$ 50
Advertising/Auditing	250						\$ 250
Travel/Training							
Consulting Services	25,000						\$ 25,000
Other Administration (<i>specify</i>)							\$
TOTAL ADMINISTRATION COSTS	\$ 27,400	\$	\$	\$	\$	\$	\$ 27,400
ACTIVITY							
Architecture/Engineering Costs							\$
Construction							\$
Machinery/Equipment	360,000		40,000				\$ 400,000
Working Capital		50,000		86,000			\$ 136,000
Other (<i>newly construction building</i>)			200,000				\$ 200,000
							\$
TOTAL ACTIVITY COSTS	\$ 360,00	\$ 50,000	\$ 240,000	\$ 86,000	\$	\$	\$ 736,000
TOTAL PROJECT COSTS	\$ 387,400	\$ 50,000	\$ 240,000	\$ 86,000	\$	\$	\$ 763,400

NOTE: TOTAL USES OF FUNDS MUST EQUAL TOTAL SOURCES OF FUNDS!

APPENDIX 01

SAMPLE HIRING AND TRAINING PLAN

In consideration of the financial assistance provided by (Name of Local Government) and the Community Development Block Grant – Economic Development (CDBG-ED) Program through the Revolving Loan Fund (RLF) administered by the (Name of Local Development Organization), (Name of Assisted Business) agrees to participate in a hiring and training plan that is an integral part of the Loan Agreement. The business will be responsible for implementing the plan, and will be assisted by the Montana Job Service and (Name of Local Development Organization).

1. **LOW AND MODERATE-INCOME BENEFIT:** As a result of the loan assistance provided by the Montana CDBG-ED Program, the business will create (Number) full-time equivalent jobs by the end of the second year of the project. The business will make all job openings available to low and moderate-income persons, and will use the most recent low and moderate-income guidelines provided by the Montana Department of Commerce to determine eligibility for this status. The business will hire at least (Number) low and moderate-income persons during the two-year duration of the project.
2. **OVERALL EMPLOYMENT:** The business's place of operation will be located at (Address) and operations at that facility will employ a total of (Number) persons by the end of the second year of the project.
3. **HIRING AND TRAINING PRACTICES:** A personnel coordinating committee will be formed that will include representatives from the Montana Job Service, (Name of Local Development Organization, Name of Assisted Business, or Other Entity, i.e. District HRDC). The committee will assess training needs, develop application and referral procedures, and ensure that hiring practices conform to requirements of Title VI of the Civil Rights Act of 1964, Section 109 of the Housing and Community Development Act of 1974, the Age Discrimination Act of 1974, and the Americans with Disabilities Act.

The committee will establish coordination of services that benefit low and moderate-income persons including necessary skills, training, employment counseling, job retention skills, and supportive services when appropriate through linkages with job programs operated by Montana Job Service and (Other Resources).

In all of its hiring practices, the business will abide by the provisions of Title VI of the Civil Rights Act of 1964, which states that no person may, on the grounds, of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

The business will also comply with Section 109 of the Housing and Community Development Act of 1974, which states that:

“No persons in the U.S. may, on the grounds of race, color, national origin, or sex be excluded from participation in, be denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under this title. Any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1974 or with respect to an otherwise qualified handicapped individual as provided in Section 504 of the Rehabilitation Act of 1973 will also apply to such program or activity.”

This Hiring and Training Plan contains the following exhibits:

Attachment A – List of jobs to be created or retained, including the percentage of full-time, skilled, semiskilled, or unskilled, job titles, rates of compensation;

Attachment B – Timetable for creating the jobs, total number of persons to be hired including number of LMI to be hired;

Attachment C – Procedures for outreach, recruitment, screening, selection, training and placement of workers - particularly LMI workers; and description of training curriculum and resources.

4. **REPORTS AND RECORD KEEPING:** (Name of Assisted Business) will ask each applicant to complete an income survey form and ethnicity/racial category form, so that the designated representatives of the (Name of Local Government) and Name of Local Development Organization), can determine the low and moderate-income status and ethnicity/racial category of the business's employees at the time of hire. Employees will be given race and ethnicity categories form to complete for data collection to be reported to the CDBG-ED program and HUD. In addition to this documentation, the (Name of Local Government Job Service) will maintain an applicant pool for the business, with special codes assigned to applicants interested in working at the business. Before referral to the business, all applicants will be screened for income eligibility for job training assistance, tax credit incentives, and CDBG-ED low and moderate-income status. The business will provide a list of its employees to the (Name of Local Government)'s designated representative no less than every three (3) months during the two-year duration of the project.

5. **ACCEPTANCE:** (Name of Assisted Business) hereby agrees to abide by the hiring and training provisions described herein.

Name of Business Owner
Name of Business

Chief Elected Official
Name of Local Government

Date

Date

Local Development Organization Director
Name of Local Development Organization

Date

Attachment A - Example
(Name of Assisted Business)
(Address of Business)
(Phone Number of Business)

Example of how jobs should be listed:

<u>JOB TITLE</u>	<u># OF POS.</u>	<u>JOB DESCRIPTION</u>	<u>POS. #</u>	<u>PROJECTED WORK TIME</u>	<u>FTE</u>	<u>PROJ. COMPEN.</u>
1. Toolpusher	1	Oil & Gas Drilling Rig	001	1600 Hrs/Yr	0.75	\$21.50/Hr
2. Driller	6	Oil & Gas Drilling Rig	002-007	1600 Hrs/Yr	0.75	\$21.10/Hr
3. Floor Hand 1	6	Oil & Gas Drilling Rig	008-013	1600 Hrs/Yr	0.75	\$19.00/Hr
4. Floor Hand 2	6	Oil & Gas Drilling Rig	014-019	1600 Hrs/Yr	0.75	\$18.50/Hr
5. Bookkeeper	1	Basic Accounting	020	2080 Hrs/Yr	1.0	\$17.50/Hr
6. Data Entry Clerk	1	Computer Data Input	021	2080 Hrs/Yr	1.0	\$16.50/Hr
7. Land Secretary	1	Oil & Gas Records	022	2080 Hrs/Yr	1.0	\$17.50/Hr
8. Receptionist/Sec.	1	General Secretarial	023	2080 Hrs/Yr	1.0	\$16.00/Hr
9. Revenue Accountant	1	Gas Revenue Accounting	024	2080 Hrs/Yr	1.0	\$18.50/Hr
10. Skilled Labor	2	Assembling Air Compressors	025-026	2080 Hrs/Yr	1.0	\$18.25/Hr
11. Welder	1	General Equipment Maintenance & Fabricator	027	2080 Hrs/Yr	1.0	\$22.00/Hr
12. Truck Driver	1	Moving Oil Field Equipment & Driving Water Truck	028	1600 Hrs/Yr	0.75	\$18.00/Hr
Total FTE					<u>23</u>	

Positions will be paid every two weeks.

Position 001: Oil field drilling and management experience necessary.
 Position 002: Oil field drilling experience preferred.
 Position 003 - 019: Oil field experience preferred.
 Position 020: Some accounting experience preferred.
 Position 021: Computer experience necessary
 Position 022: Secretarial and computer skills necessary. Knowledge of land descriptions advantageous.
 Position 023: Secretarial and computer skills necessary.
 Position 024: Accounting experience needed.
 Position 025-026: Mechanical experience necessary.
 Position 027: Two years welding experience or Technical Training necessary.
 Position 028: Current commercial driver's license and Department of Transportation physical required

Attachment B

Timetable for Hiring and Training

Attachment C

Description of Outreach and Recruitment
Description of Training and Curriculum

APPENDIX O2

SAMPLE HIRING AND TRAINING PLAN FOR CUSTOMIZED EMPLOYEE TRAINING

In consideration of the financial assistance provided by (Name of Local Government)'s Community Development Block Grant – Economic Development (CDBG-ED) Program through the grant administered by the (Name of Local Development Organization), (Name of Assisted Business) agrees to participate in a hiring and training plan that is an integral part of the grant agreement. The (Name of Business) will be responsible for implementing the plan, and will be assisted by the Montana Job Service and (Name of Local Development Organization).

1. **LOW AND MODERATE-INCOME BENEFIT:** As a result of the grant assistance provided by the Montana CDBG-ED Program, (Name of Assisted Business) will create (Number) full-time equivalent (FTE) jobs by the end of the second year of the project. The business will make a minimum of (Number) FTE job openings available to low and moderate-income persons, and will use the most recent low and moderate-income guidelines provided by the Montana Department of Commerce to determine eligibility for this status. To ensure that the jobs created are made available to low and moderate-income households, the company will use the Montana Job Service for referrals.
2. **OVERALL EMPLOYMENT:** (Name of Assisted Business) is located at (Address) and will employ a total of (Number) persons through its operations by the end of the second year of the project. The job breakdown is estimated to be: (List job titles and number of positions).
3. **HIRING PRACTICES:** Employees are required to (List skills needed for new hires).
4. **TRAINING PRACTICES:** (Name of Assisted Business) will hire and train employees to (List end result of training). A complete copy of the training manual has been submitted to (Name of Local Government), and is attached as Attachment A. In summary, when an employee is hired, he/she is given training to (Give greater detail on the type of training given and the skills to have been acquired at the end of the training period).
5. **REIMBURSEMENT FOR TRAINING ACTIVITIES:** (Name of Assisted Business) will pay trainees (\$xx) per hour during the training and probationary periods. The company has determined that it will take (Number) hours to complete the initial training program and an additional (Number) hours to complete the probationary period. The total cost of training one (1) employee is (\$xx) ((Number) hours at (\$xx) per hour). Once the trainee has satisfactorily completed the training and probationary periods, (Name of Assisted Business) agrees to pay the trained employee a compensation package of salary or salary

and benefits totaling (\$xx.xx) (minimum amount required for 2014 projects) per hour.

(Name of Local Government) agrees to reimburse (Name of Assisted Business) (\$xx) for each full time equivalent (FTE), up to (Number) FTEs, not to exceed (\$xx), that have successfully completed the training program and probationary period, are working at least 40 hours per week, and are receiving the minimum compensation package of salary **or** salary and benefits totaling (\$xx.xx) per hour. (Note: An FTE is defined as an employee, or combination of employees, that works 2,080 hours per year or 40 hours per week.)

- 6. COMPLIANCE WITH EQUAL OPPORTUNITY AND NONDISCRIMINATION LAWS:** In all of its hiring practices, (Name of Assisted Business) will abide by the provisions of Title VI of the Civil Rights Act of 1964, which states that no person may, on the grounds, of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

(Name of Assisted Business) will also comply with Section 109 of the Housing and Community Development Act of 1974, which states that:

No persons in the U.S. may, on the grounds of race, color, national origin, or sex be excluded from participation in, be denied the benefit of, or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under this title. Any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1974 or with respect to an otherwise qualified handicapped individual as provided in Section 504 of the Rehabilitation Act of 1973 will also apply to such program or activity.

- 7. REPORTS AND RECORD KEEPING:** (Name of Assisted Business) will ask each applicant to complete an income survey form and ethnicity/racial category form, so that the designated representatives of the (Name of Local Government), and (Name of Local Development Organization), can determine the low and moderate-income status and ethnicity/racial category of the business's employees at the time of hire. In addition to this documentation, the (Name of Local Government Job Service) will maintain an applicant pool for the business, with special codes assigned to applicants interested in working at the business. Before referral to the business, all applicants will be screened for income eligibility for job training assistance, tax credit incentives, and CDBG-ED low and moderate-income status. The business will provide a list of its employees to the (Name of Local Development Organization) no less than every three (3) months during the two-year duration of the project. The report must document that a compensation package of salary **or** salary and benefits totaling (\$xx.xx) per hour was paid to each employee after completion of the training program and probationary period.

8. **SECURITY:** (Name of Assisted Business) agrees that in the event it does not make jobs available to low and moderate-income persons, and it ceases operation in the (City/Town/County) within the first two years—the Montana Department of Commerce contract period—the company will reimburse the (City/Town/County) for the full amount of the MDOC labor training grant funds it has received.
9. **ACCEPTANCE:** (Name of Assisted Business) hereby agrees to abide by the hiring and training provisions described herein.

(Name, Title)
(Name of Assisted Business)

(Name, Title)
(Name of Local Government)

Date

Date

(Name, Title)
(Local Development Organization)

Date

(Name of Assisted Business)
(Address of Business)
(Phone Number of Business)

Example of how jobs should be listed:

<u>JOB TITLE</u>	<u># OF POS.</u>	<u>JOB DESCRIPTION</u>	<u>POS. #</u>	<u>PROJECTED WORK TIME</u>	<u>FTE</u>	<u>PROJ. COMPEN.</u>
1. Toolpusher	1	Oil & Gas Drilling Rig	001	1600 Hrs/Yr	0.75	\$20.50/Hr
2. Driller	6	Oil & Gas Drilling Rig	002-007	1600 Hrs/Yr	0.75	\$20.10/Hr
3. Floor Hand 1	6	Oil & Gas Drilling Rig	008-013	1600 Hrs/Yr	0.75	\$19.00/Hr
4. Floor Hand 2	6	Oil & Gas Drilling Rig	014-019	1600 Hrs/Yr	0.75	\$18.50/Hr
5. Bookkeeper	1	Basic Accounting	020	2080 Hrs/Yr	1.0	\$17.50/Hr
6. Data Entry Clerk	1	Computer Data Input	021	2080 Hrs/Yr	1.0	\$16.50/Hr
7. Land Secretary	1	Oil & Gas Records	022	2080 Hrs/Yr	1.0	\$17.50/Hr
8. Receptionist/Sec.	1	General Secretarial	023	2080 Hrs/Yr	1.0	\$16.00/Hr
9. Revenue Accountant	1	Gas Revenue Accounting	024	2080 Hrs/Yr	1.0	\$18.50/Hr
10. Skilled Labor	2	Assembling Air Compressors	025-026	2080 Hrs/Yr	1.0	\$18.25/Hr
11. Welder	1	General Equipment Maintenance & Fabricator	027	2080 Hrs/Yr	1.0	\$22.00/Hr
12. Truck Driver	1	Moving Oil Field Equipment & Driving Water Truck	028	1600 Hrs/Yr	0.75	\$18.00/Hr
Total FTE					23	

Positions will be paid every two weeks.

Position 001: Oil field drilling and management experience necessary.
Position 002: Oil field drilling experience preferred.
Position 003 - 019: Oil field experience preferred.
Position 020: Some accounting experience preferred.
Position 021: Computer experience necessary
Position 022: Secretarial and computer skills necessary. Knowledge of land descriptions advantageous.
Position 023: Secretarial and computer skills necessary.
Position 024: Accounting experience needed.
Position 025-026: Mechanical experience necessary.
Position 027: Two years welding experience or Technical Training necessary.
Position 028: Current commercial driver's license and Department of Transportation physical required.

APPENDIX P

SAMPLE PROJECT IMPLEMENTATION SCHEDULE

(Name of Locality and Assisted Business)

PROJECT START-UP

Submit Complete Application	<u>(Month Year)</u>
Establish Project Files	<u>(Month Year)</u>
Prepare Management Plans/Program Income	<u>(Month Year)</u>
Prepare Environmental Review Record	<u>(Month Year)</u>
Finalize Contract with MDOC	<u>(Month Year)</u>

PROJECT IMPLEMENTATION

Negotiate Loan Agreement	<u>(Month Year)</u>
Submit Draft Loan Agreement to MDOC	<u>(Month Year)</u>
Final Loan Agreement after MDOC approval	<u>(Month Year)</u>
Document 51% LMI Benefit for Retained Jobs	<u>(Month Year)</u>
MDOC Release of Funds	<u>(Month Year)</u>
Submit First Drawdown	<u>(Month Year)</u>
Reports to MDOC	Quarterly
Obtain & Submit Financial Statements to MDOC	Quarterly

PROJECT CLOSE-OUT

Project Audited as Part of Organization-wide	
Audit of the Local Government	<u>(Month Year)</u>
Submit Audit to CDBG Program Officer	<u>(Month Year)</u>
Conditional Close-out	<u>(Month Year)</u>
Submit Audit Report to MDOC	<u>(Month Year)</u>
Final Close-out	<u>(Month Year)</u>

Appendix Q

MONTANA DEPARTMENT OF COMMERCE FINANCIAL ASSISTANCE BUREAU PROGRAMS CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT

THIS CONFIDENTIALITY AND NON-DISCLOSURE AGREEMENT (“Agreement”) is made as of the _____ day of _____, _____, by and between _____ (“Company”) and its affiliates and the Montana Department of Commerce (“MDOC”) and its affiliates.

WHEREAS, the MDOC has requested and/or may request verbal and written information from the Company and its affiliates regarding the Company and certain of its affiliates and Project (including without limitation the proposed _____ to be located in _____, Montana incident to discussions concerning one or more possible loan transactions or grants for the benefit of the Company. The MDOC will accept a copy of the Business Plan and any supporting documentation submitted by the Company.

NOW, THEREFORE, in consideration of the premises and the disclosure of such information, each Party hereby, intending to be legally bound, agrees to the following provisions:

1. The Company understands and agrees that, pursuant to the Montana Supreme Court’s decision in *Great Falls Tribune v. Public Service Commission*, 319 Mont. 38, 82 P.3d 876 (2003), all documents filed with the MDOC by the Company are presumptively available for access by the public under the “right to know” provision of Article 2, Section 9 of the Montana Constitution. Under the decision, however, the presumption that all documents filed by the Company with the MDOC are public may be overcome by the proper showing, consistent with the court’s decision.
2. If the Company submits documents or information to the MDOC that it considers confidential and wishes the documents or information to be withheld from public disclosure, it will identify which part of the documents or information it considers confidential at the time the documents or information are submitted. The Company will identify the confidential items through an affidavit that clearly states the facts upon which it believes the documents or information should be withheld from public disclosure. The stated facts must be specific enough so that reviewing authorities can clearly understand the nature and basis of the Company’s claims to the right of confidentiality. A statement that all documents or information submitted by the Company are confidential, or other conclusory statements, will be ineffective to prevent public disclosure. The Company understands and agrees that the affidavit it submits is subject to public disclosure.

3. If individual documents or information are not specified as confidential or the affidavit is factually insufficient to support confidentiality, the MDOC will deem the documents or information submitted as subject to public disclosure.

4. The MDOC will take reasonable steps to protect documents or information designated as confidential and for which the Company submitted an affidavit clearly stating the factual basis for the claim of confidentiality. Upon receiving a written request from a third party to review any confidential documents or information, the MDOC will notify the Company of the request in writing. The written notice provided by MDOC will enclose a copy of the third party request. The written notice and third party request will be sent by U.S. mail and by fax to the following addresses and fax numbers:

To:	Address:
	Attention:
	Fax #:
With a copy to: (If required)	Address:
	Attention:
	Fax #:

5. It is the responsibility of the Company upon receipt of the written notice from MDOC to take such action as is necessary to protect the documents or information from disclosure, including obtaining a court order protecting the documents or information from disclosure if necessary. If the MDOC does not receive an order from a court of competent jurisdiction ordering the MDOC to maintain confidentiality of the requested information or the MDOC is not notified of other arrangements made between the Company and the requesting party within 10 days from the date of the written notice by the MDOC to the Company of the third party request, the information will be disclosed to the requesting party, notwithstanding the affidavit. The MDOC will not assert the right of confidentiality for the Company in any court, whether sitting at law or in equity.

6. The Company agrees that in the event MDOC discloses documents or information in accordance with the provisions of this Agreement, the Company will not assert any claim, liability, demand, or cause of action against MDOC for a violation of any confidentiality interest in any documents or information that it has submitted to MDOC.

7. The Company agrees it will defend, indemnify, and save harmless the MDOC against and from any and all claims, liabilities, demands, causes of action, judgments, damages, and losses, including costs and attorneys' fees associated with any action for release of documents or

information submitted to MDOC by the Company, whether such action is brought in the name of the Company or a third party.

8. These programs are federal and state programs managed by the MDOC and are subject to audit and monitoring reviews by federal and state officials. The MDOC is required by federal and state regulations and laws to provide access to state and federal audit and monitoring officials in order to document compliance with applicable state and federal regulations and laws. In the event and to the extent access to information provided to the MDOC by the Company related to one of these programs and otherwise subject to this Agreement is requested by federal or state auditors, the Company agrees that the MDOC may disclose such information to such auditors, provided that (a) such information is used only by such auditors for the purposes set forth in the previous sentence, and for no other purposes whatsoever; and (b) such information in the possession of or otherwise disclosed to such auditors shall remain subject to the provisions of this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective duly authorized representatives as of the date first above written.

(Name of Company)

By: _____
Name:
Title:

Date _____

MONTANA DEPARTMENT OF COMMERCE

By: _____
Name: Meg O'Leary
Title: Director

Date _____

APPROVED BY:

Attorney for the Department

AFFIDAVIT

State of Montana)

: ss.

County of _____)

COMES NOW, _____, being first duly sworn upon his oath,
deposes and states as follows:

That he/she is the _____ of _____ and offers the
following in support of _____ claim of confidentiality for information
submitted in support of its application to the Montana Department of Commerce for funds:

1. I am the _____ of _____ and offer the
following in support of _____ claim of confidentiality for information
submitted to the Montana Department of Commerce.

2. _____ claims that the document titled _____
is confidential and should be withheld from public disclosure as it contains information
developed by _____ concerning its business forecasts and assessments. This information is
consistently maintained by _____ as confidential business information
and if disclosed could prejudice _____ competitive position and
could result in financial losses to _____.

3. _____ claims that the documents titled _____
including _____ are confidential and should be withheld from public
disclosure as they contain information developed by _____
concerning its financial condition, including product revenues and cost of production
information and other confidential pricing information. This information is consistently
maintained by _____ as confidential business information and if
disclosed could prejudice _____ competitive position and could
result in financial losses to _____.

This instrument was acknowledged before me on the ____ day of _____, 20____
by _____.
(Company Official)

(Seal)

Printed Name: _____
Notary Public for the State of _____
Residing at _____
My commission expires: _____

APPENDIX R

SAMPLE INTERLOCAL AGREEMENT

THIS CONTRACT is entered into by (Insert Name of County) County, herein referred to as "the County," and the (Insert Name of City) City, herein referred to as "the City."

WITNESSETH THAT:

WHEREAS, the County and the City are the recipients of a Community Development Block Grant – Economic Development (CDBG-ED) Program grant received as a result of a jointly submitted application for grant funds to provide a business assistance loan to (Name of Business); and

WHEREAS, this Contract between the County and the City will enable them to enhance cooperation in implementing the County's and City's CDBG-ED award to accomplish the above-described project; and

WHEREAS, the County and City have agreed to enter into a Sub-Recipient Agreement with (Name of Local Development Organization) to administer the grant and to sub-grant program income resulting from repayment of principal and interest on the loan to (Name of Local Development Organization) to establish and administer a revolving loan fund account for the County; and

WHEREAS, the County and City have determined that the County, in its capacity as a CDBG-ED grantee, is in the best position to supervise the implementation of the grant through (Name of Local Development Organization); and

WHEREAS, the Montana Department of Commerce has required the County to enter into a contract with the City specifying the terms and conditions of the City's delegation of certain CDBG-ED responsibilities to the County; and

WHEREAS, both parties to this Contract understand that neither local government involved herein has in any way, expressly or implied, abrogated any of its individual powers, and that this Contract does not create any new organization or legal entity.

NOW, THEREFORE, THE COUNTY AND THE CITY MUTUALLY AGREE AS FOLLOWS:

I. Responsibilities Delegated to the City and County

- A. The City and County will show compliance with all applicable state and federal requirements contained in the Certifications for Application submitted to the Montana Department of Commerce with the joint City-

County application for CDBG-ED assistance, dated (Enter date of CDBG-ED application).

- B. The City and County will show compliance with all other applicable state and federal requirements as described in the Montana Community Development Block Grant Program Grant Administration Manual.
- C. During the term of this Contract, the County will maintain reasonable records of its performance hereunder in a manner consistent with generally accepted accounting principles. The County will allow the City and the Montana Department of Commerce and their authorized representative's access to these records at any time during normal business hours. At the request of the City, the County will submit to the City, in the format prescribed by the City, status reports on its performance under this Contract.

II. Duration of the Contract

- A. This Contract takes effect when the following conditions are satisfied:
 - 1. The Montana Department of Commerce, County, and City have executed the CDBG-ED Contract;
 - 2. All requirements of the environmental review process have been satisfied;
 - 3. The Montana Department of Commerce has approved the County's "Request for Release of Funds and Certification";
 - 4. The County's attorney and the attorney for the City have approved this Contract as to form and content; and
 - 5. The County Board of Commissioners and the City Council have each reviewed this Contract and agreed fully to its terms and conditions.
- B. This Contract will terminate 90 days after the CDBG-ED program grant contract has been completed and closed in a manner acceptable to the Montana Department of Commerce.

III. Administration

- A. The primary purpose of this Contract is to allow the City to delegate responsibility for any and all administration of this project to the County and the Sub-Recipient (Name of Local Development Organization).

- B. For purposes of implementing the joint undertaking established by this Contract, the County's Board of Commissioners and the City Council hereby agree to enter into a Grant Management Plan and Sub-Recipient Agreement with (Name of Local Development Organization) (attached as Exhibits A and B) to provide for the efficient and effective implementation of this Contract and the activities contained herein.
- C. The County will comply with the federal administrative requirements contained in 24 Code of Federal Regulations (CFR), section 570.502, as applicable.
- D. The County will carry out each activity under this Contract in compliance with all federal laws and regulations described in 24 CFR sections 570.600 through 570.612 (Subpart K), except that:
 - 1. The County does not assume the City's environmental responsibilities described at 24 CFR section 570.604, and
 - 2. The County does not assume the City's responsibility for initiating the review process under the provisions of 24 CFR Part 58.
- E. The City and County agree that all funds received through the state for administration or to fund the activities shall be passed through to the Sub-Recipient; that all activity funds received as a result of this grant shall be made available to (Name of Assisted Business), and that all program income received as a result of payment of principal and interest to the loan fund will be sub-granted to the Sub-Recipient to establish and maintain a revolving loan fund for the County.

VI. Indemnification

The County waives any and all claims and recourse against the City, including the right of contribution for loss or damage to persons or property arising from, growing out of or in any way connected with or incident to the County's performance of this Contract except claims arising from the concurrent or sole negligence of the City or its officers, agents, or employees. The County will indemnify, hold harmless, and defend the City against any and all claims, demands, damages, costs, expenses, or liability arising out of the County's performance of this Contract except for liability arising out of the concurrent or sole negligence of the City or its officers, agents, or employees.

VII. Suspension and Termination

In accordance with 24 CFR 85.43, the County may suspend or terminate this Contract if the City materially fails to comply with any term of the City/County's CDBG-ED grant agreement with the Montana Department of Commerce. In addition the County may terminate this Contract for convenience in accordance with 24 CFR 85.44.

This Contract has been approved by the County's Board of Commissioners and the City Council.

(Name of County) Commissioners

City/Town of (Name of Municipality)

Commission Chair

Mayor or City/Town Manager

Date: _____

Date: _____

Commissioner

Date: _____

Commissioner

Date: _____

ATTEST:

ATTEST:

Clerk and Recorder

Secretary/Treasurer

APPROVED AS TO FORM:

APPROVED AS TO FORM:

County Attorney

Attorney

APPENDIX S
CALCULATION OF BENEFIT
TO LOW AND MODERATE-INCOME PERSONS AND
RACE AND ETHNICITY CATEGORIES

Communities with a local CDBG economic development project must use the following format for job applicants, new hires, and current employees for jobs created or retained to document the family income. ****Contact the CDBG-ED staff for a copy of the latest HUD Income Limits for each county in the State. This publication changes every year.** New income figures are available each spring from the Department of Housing and Urban Development. The new income figures will be sent to current grantees as soon as they are available. The figures for income levels for the county in which the project will be located should be placed under the appropriate spaces on the form for each family size.

The income level stated for the form can be based on either the previous 12 months before the date the form is signed or on the income reported on the most recent income tax form submitted to the Internal Revenue Service. The method used should be consistent. It is often difficult for an individual to determine accurately the income for the previous 12 months, which would necessitate using the reported income tax statement for the most recent tax year.

Race and ethnicity categories should be collected at the same time that income surveys are given. A sample form is part of this exhibit for collection of that data.

NOTE: The form included here is the acceptable format. Other variations of the form may not meet HUD guidelines, and the Department must review other variations before they are used. The form used must have the warning that income may be verified and penalties could be imposed for false statements. Information obtained from the applicant should be sufficient to complete **Exhibit 8-F**, within the CDBG Grant Administration Manual. Copies are available from the Department.

Income Certification for Job Creation and/or Retention

The following information is necessary for purposes of documenting that you qualify as a low and moderate-income (LMI) person under our community's Community Development Block Grant – Economic Development (CDBG-ED) project. The CDBG-ED Program is a federal program intended to assist "low and moderate-income families." Your response will be kept confidential and will not be available to the general public.

Included in the federal definition of "annual income" are all payments from all sources received by the family head (even if temporarily absent) and each additional member of the family who is not a minor. Income includes:

1. The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses;
2. The net income from operation of a business or profession or from rental or real or personal property (this includes gross receipts, minus operating expenses, received from the operation of an unincorporated farm or ranch);
3. Interest and dividends;
4. The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;
5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay;
6. Public assistance;
7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling; and
8. All regular pay, special pay and allowances of a member of the armed forces (whether or not living in the dwelling) who is head of the family or spouse.
9. Indicate whether or not your employment status prior to being hired for this current position was "unemployed prior to hire", or "employed elsewhere prior to hire" (**for new hires**); **or** "currently hired in this position" if you're not a new employee.

CDBG INCOME LIMITS BY SIZE OF HOUSEHOLD

Please circle the income amount by family size that your household income DOES NOT EXCEED

Household Size

County	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
Extremely Low (EL)								
Low Income (L)								
Moderate Income (M)								
My Income Exceeds The Amounts Above (NL)								

I certify that, after reviewing the definition of "annual income" above, the total gross income of all members of my family for year **2012** (*or the previous 12 months from the date the form is filled out*) is as **circled** above. I further certify that the above statement is true, accurate, and complete to the best of my knowledge and belief. I agree to provide income verification if requested by local officials.

Please check one of the following:

(FOR NEW HIRES)

_____ Unemployed prior to hire

_____ Employed elsewhere prior to hire

Applicant's Signature

Applicant's Printed Name

(OR)

_____ Currently employed at this business

Address

Date

NOTE: Section 1001 of Title 18 of the United States Code and Criminal Procedure shall apply to the foregoing certification. Title 18 provides, among other things, that whoever knowingly and willfully makes or uses a document or writing containing any false, fictitious, or fraudulent statement or entry, in any matter within the jurisdiction of any department or agency of the United States, shall be fined not more than \$10,000 or imprisoned not more than five years or both.

SAMPLE CDBG INCOME LIMITS BY SIZE OF HOUSEHOLD

Please circle the income amount by family size that your household income DOES NOT EXCEED

Household Size

County XX	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
Extremely Low	9750	11150	12550	13900	15050	16150	17250	18350
Low Income	16250	18550	20900	23200	25050	26900	28750	30600
Moderate Income	26000	29700	33400	37100	40100	43050	46050	49000
My Income Exceeds The Amounts Above								

(Note to Person Preparing Form: Insert the appropriate income limits above for each size of household.)

I certify that, after reviewing the definition of "annual income" above, the total gross income of all members of my family for year **2013** *(or the previous 12 months from the date the form is filled out)* is as **circled** above. I further certify that the above statement is true, accurate, and complete to the best of my knowledge and belief. I agree to provide income verification if requested by local officials.

Please check one of the following:

(FOR NEW HIRES)

_____ Unemployed prior to hire

_____ Employed elsewhere prior to hire

Applicant's Signature

Applicant's Printed Name

(OR)

_____ Currently employed at this business

Address

Date

NOTE: Section 1001 of Title 18 of the United States Code and Criminal Procedure shall apply to the foregoing certification. Title 18 provides, among other things, that whoever knowingly and willfully makes or uses a document or writing containing any false, fictitious, or fraudulent statement or entry, in any matter within the jurisdiction of any department or agency of the United States, shall be fined not more than \$10,000 or imprisoned not more than five years or both.

Federal Standards for Definition of Low and Moderate-Income Status
(Income eligibility standards from the U.S. Housing Act of 1937)

Section 889.103. Determination of income for eligibility.

For purposes of determining whether a family is a lower-income family, income shall be determined in accordance with Section 889.104, except that where a family has net family assets in excess of \$5,000, income shall include the actual amount of income, if any, derived from all of the net family assets or 10 percent of the value of all such assets, whichever is greater. For purposes of this section, net family assets means value of equity in real property, savings, stocks, bonds, and other forms of capital investment. The value of necessary items such as furniture and automobiles shall be excluded.

Section 889.104. Computation of annual income.

- (a) Except as provided in paragraph (b) of this section, all payments from all sources received by the family head (even if temporarily absent) and each additional member of the family household who is not a minor shall be included in the annual income of a family. Income shall include, but not be limited to:
- (1) The gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses;
 - (2) The net income from operation of a business or profession or from rental or real or personal property (for this purpose, expenditures for business expansion or amortization of capital indebtedness shall not be deducted to determine the net income from a business);
 - (3) Interest and dividends;
 - (4) The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;
 - (5) Payments in lieu of earnings, such as unemployment and disability compensation, workmen's compensation and severance pay (see paragraph (8) (b) (3) of this section).
 - (6) Public Assistance. If the public assistance payment includes an amount specifically designated for shelter and utilities which is subject to adjustment by the public assistance agency in accordance with the actual cost of shelter and utilities, the amount of public assistance income to be included as income shall consist of:
 - (i) The amount of the allowance or grant exclusive of the amount specifically designated for shelter and utilities, plus
 - (ii) The maximum amount which the public assistance agency could in fact allow for the family for shelter and utilities.
 - (7) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling:
 - (8) All regular pay, special pay and allowances of a member of the armed forces

(whether or not living in the dwelling) who is head of the family or spouse (see paragraph (8) (b) (5) of this section).

(b) The following items shall not be considered as income:

- (1) casual, sporadic or irregular gifts;
- (2) amounts which are specifically for or in reimbursement of the cost of medical expenses;
- (3) lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and workmen's compensation), capital gains and settlement for personal or property losses;
- (4) Amounts of educational scholarships paid directly to the student or to the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment. Any amounts of such scholarships, or payments to veterans, not used for the above purposes of which are available for subsistence are to be included in income;
- (5) The special pay to a serviceman head of a family away from home and exposed to hostile fire;
- (6) Relocation payments made pursuant to Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970;
- (7) foster child care payments;
- (8) the value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is in excess of the amount actually charged the eligible household;
- (9) payments received pursuant to participation in the following volunteer programs under the ACTION Agency;
 - (i) National Volunteer Antipoverty Programs which include VISTA, Service Learning Programs and Special Volunteer Programs.
 - (ii) National Older American Volunteer Programs for persons aged 60 and over which include Retired Senior Volunteer Programs, Foster Grandparent Program, Older American Community Services Program, and National Volunteer Program to Assist Small Business Experience, Service Corps of Retired Executive (SCORE) and Active Corps of Executives (ACE).

**INDIVIDUAL DIRECT BENEFIT ETHNICITY AND
RACIAL CATEGORY RECORDING FORM**
**(To be Completed by Newly Hired Persons, or by Persons Holding a
Current Job for Job Retention Projects)**

(Name of local development organization) is required by federal regulations governing the Community Development Block Grant –Economic Development Program to request the following information in order for the Montana Department of Commerce to monitor **(Name of local government)**'s compliance with federal equal opportunity and fair housing laws.

Federal law provides that an agency may not discriminate on the basis of this information, or on the basis of whether you choose to furnish the information. However, if you choose not to furnish it, this agency is required to note race, gender and/or handicap status on the basis of visual observation and/or surname.

If you do **not** wish to provide the requested information, please check the following box, and the information will be determined by your employer.

☐ **I do not wish to furnish this information.**

~~~~~  
**Please select from each of the following categories:**

**Ethnicity:** (select one of the following)

- ☐ Hispanic or Latino  
☐ Not Hispanic or Latino

**Race:** (select the one that best describes your category)

- ☐ White  
☐ Black or African American  
☐ Asian  
☐ American Indian or Alaskan Native  
☐ Native Hawaiian or Other Pacific Islander  
☐ American Indian or Alaskan Native *and* White  
☐ Asian *and* White  
☐ Black or African American *and* White  
☐ American Indian or Alaskan Native *and* Black or African American

**Other Needed Information:** (select all that apply)

- ☐ Female  
☐ Male  
☐ Handicapped  
☐ Female Head of Household

~~~~~  
If applicable, when the person declines to furnish the information:

On the basis of sight or surname, the above information has been noted by:

Name: _____ Initialed: _____

Title: _____ Date: _____

APPENDIX T

SAMPLE BUSINESS PLAN

INTRODUCTION

The following Business Plan Outline is adapted from a sample business plan format prepared by the staff of the Indian Community Development Block Grant (ICDBG) Program, U.S. Department of Housing and Urban Development, Region VIII, Denver, Colorado.

This outline is being distributed by the Montana CDBG-ED Program as an example of a business plan format that could be followed to fulfill the requirement for submission of a business plan for applications for the Economic Development grant category. Refer to the CDBG-ED Application Guidelines, Chapter III, Section B. for a detailed description of the CDBG-ED Business Plan Requirements.

If you have any questions regarding this or any other requirements established for economic development applications under the Montana CDBG-ED Program, contact the Montana Department of Commerce CDBG-ED staff at 841-2736.

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The following business plan outline provides the basic information necessary to evaluate an economic development proposal. Quality and accuracy do not necessarily mean long

narratives. All of the data should be complete and concise to convey the required information. Where a section is not applicable to a given proposal, this should be explained.

BUSINESS PLAN

I. Executive Summary

The summary should describe concisely what the business is all about and provide enough detail so that someone can read it and have a general understanding of the business without reading the rest of the plan. The summary should contain the following elements:

A. Business Description:

1. Name: Provide the business name of the company or corporation.
2. Location and Plant Description: The address of the business should be identified and the location described. Also, a physical description of the plant should be provided such as: sawmill with specific number of saws, buildings, and holding yard acreage;
3. Product and Services: Describe the product and/or service to be provided by the business or industry.
4. Market and Competition: Describe the market in which the product or service is to be sold. The market should be defined in terms of geography, demographic sectors, existing consumption levels, and potential. Competitors should be identified in terms of who they are, what their potential is, and how well they are serving the existing market and also potential new competitors. The condition of the market should be described in terms of: Is it saturated? Is there room for expansion? Do gaps or niches exist?

B. Business Objectives:

Describe the long-range objectives for the business and provide a timeframe indicating when the objectives are to be achieved.

C. Summary of Financial Needs:

1. Proposed Uses of Funds: Describe what the requested funds will be used for and when they will be expended. General categories such as land acquisition, building construction or renovation, purchase of inventory or equipment, or working capital should be used with estimates for each identified.
2. Proposed Sources of Funds: For each source of funds proposed, identify the dollar amount, terms, conditions, and timing. Also, the type and price of security pledge

required should be identified, such as, Certificates of Deposit (CD), personal property, personal guarantees, or income from sales.

II. Market Analysis

A. Descriptions of the Total Market: All of the characteristics of the market that are necessary to define it or have an impact on it should be discussed including, but not limited to, the following as applicable:

1. The geographic market area should be described;
2. Market characteristics that could affect sales should be defined, and an explanation given to their effect on the business, if applicable;
3. The volume of trade should be described in terms of sales and units or services provided;
4. Demographic characteristics, which influence the market, such as age groups, income, employment and/or other patterns should be described;
5. Interrelationships with other industries or businesses that have an effect on the business, such as suppliers of materials, transportation companies, technology services, etcetera; and
6. Other characteristics that define the market including a definition (or map) of the market area.

B. Industry Trends: A description of the industry should be provided, including such elements as:

1. Growth and contraction of the industry and causes of such changes;
2. The effects of changing technology;
3. The effects of political policy and regulatory controls;
4. Historical and cyclical trends in the industry that may continue into the future; and
5. Projected trends.

Whenever possible, the description should be supported by data and analysis taken from verifiable and dependable sources such as trade journals, government reports or independent surveys.

C. Target Market: The target market should be identified in such a way that it is clear who or what specific segment of the market will be targeted for the subject product

or service and why. Suggested aspects of the market to consider are:

1. Does a niche exist in the market where a segment of the market is not being adequately served or is not being served at all?
 2. Is there a geographic area that is not being served?
 3. Does the business have a superior product for a particular segment of the market?
 4. Is the nature of the industry such that it is possible to capture a fair share of the market simply by providing a standard product or service at a competitive price?
- D. Competition: Describe the nature of the competition in the market, such as, who they are, which firms will be competing directly, how long they have been in business, whether they have a competitive product or service or how are they apt to react to the entry of a new business or product. Whenever possible, this analysis should be supported by data regarding the industry.

III. Product or Service

- A. Description of Product Line: Describe the product or service to be provided by the business in terms of quality, innovation, special characteristics, and how available. If the product has multiple elements, such as manufacturing and retail, these should be defined and explained.
- B. Proprietary Position: Are there patents, copyrights, and legal and technical considerations, which must be cleared or addressed before the business can begin or continue to operate? These considerations should be detailed in terms of necessary actions, timeframes and potential results. If these considerations provide an advantage (or disadvantage) for the business, they should be thoroughly explained.
- C. Comparison to Competitors' Products: In addition to knowing the competition's strengths and weaknesses, it is important to know about their product or service. The following should be addressed:
1. How long has it been on the market?
 2. Is it current with the latest technology?
 3. What are its strengths and weaknesses in quality, design, function, etcetera?
 4. How is it marketed, i.e., advertisement, promotion, direct mail, catalog, etcetera?
 5. Where is it in its product life cycle?

6. Are there unique features about the product?
7. Are there proprietary rights that give the product an advantage?

These and other factors should be evaluated for their significance, and compared to the product or service of the subject business. Then the following should be addressed:

1. Can the product compete?
2. What must be changed (if anything) to compete more effectively?
3. What advantages exist for competing in the market?
4. How is the subject product or service better or worse?

IV. Manufacturing Process (If Applicable)

- A. Materials: What materials are necessary to produce the product? Discuss these materials in terms of quality, special features, and alternatives.
- B. Source of Supply: The source of materials should be discussed in terms of availability, cost, location, amounts, how accessible, supplies, number of materials, interrelations of materials, transportation of materials, and storage, spoilage or deterioration rates.
- C. Production Methods: Describe how the product will be made in terms of facilities and equipment, labor, processing, scheduling, timing, production levels, capacity, movement, inventories, and quality control. In addition, discuss problems and time constraints involved in getting the production fully operational, if it is not already. Also, discuss the economics of scale that will be necessary for most efficient operation and maximum productivity.

V. Marketing Strategy

There are several steps involved in the formation of a marketing strategy. First, an initial decision has to be made to sell in a particular market sector, which is based on the objectives of the business. Market research involves the gathering of information about the market. Even though there may be an enormous amount of information about the market, there may be significant gaps in information pertaining to activities, which are important to the business. Market research helps develop a plan of action to achieve the marketing objectives. The nature of the plan will depend on the firm's type of business and the extent of its potential involvement in the market. Finally, a decision must be made about how to penetrate the market. This may involve a simple, direct introduction of the product on the market, or it could consist of a series of tests on the market or segments of the market. Whichever method is used, it should be based on reasonable assumptions and knowledge

of the market. The market analysis from section II should provide most of the information necessary for developing the overall strategy.

The basics of marketing are product, price, place (or distribution), and promotion -- the so-called four P's. All are integral parts of the marketing strategy. The beginning point is the product. The product must be chosen and a decision made about whether it will be standardized or adapted to various markets. Second, there is the pricing of the product, which includes several factors. One is the cost of the product, which sets a minimum price that can be charged. Among other factors, competition and demand must be considered in the price. Place (or distribution) involves decisions concerning distribution outlets -- wholesaling, retailing, and so forth. Promotion provides communication with various consumer markets. These are discussed in more detail below.

- A. Product: One of the most important problems in the marketing of the product is standardization vs. adaptation to local markets. Some products are more sensitive to market differences than others. For instance, a firm that produces hammers need only worry about how functional the hammer are, but newspaper publishers would be very concerned about who their readers are, their interests, and then design appropriately.
- B. Price: There are many ways of establishing price, but the most common is "average-cost pricing." This method consists of a summation of a firm's average fixed and variable costs for various levels of output. Interest payments are an example of fixed cost. Variable costs are those, which change when the output changes. The average cost per unit is the total fixed cost, plus the total variable cost, divided by the total units of output. Price is then determined by dividing total profits by the total units of output and adding it to average cost.
- C. Place (or Distribution): Place involves making products available in the right quantities and in the right locations when customers want them. Many activities are needed to provide place, the most important of which is distribution. There is physical distribution, which involves the transportation and storage of goods. This provides time and the utility of having the product available when the customer wants it. Place is provided, too, by the wholesale and retail outlets through which the product passes on to the customer. Intermediaries also provide a place activity by bringing buyers and sellers together. Customer service is another activity of place and, of course, the activities must be managed and coordinated. The cost of transportation and storage can vary with the product. For instance, these costs would be relatively low for small electronic devices, but high for timber and large industrial items.
- D. Promotion: In some ways, promotion is probably the most important of the four P's, in that it is used to influence attitudes and behaviors. There are two principal methods of promotion: advertising and personal selling. The choice of the methods used depends on several factors. The nature of the product is one. Consumer goods that are sold in mass markets are likely to be promoted through advertising.

Industrial goods, on the other hand, are much more specialized and more likely to be promoted through the company's sales force. There are advantages and disadvantage to each; advertising reaches a larger number of consumers in a short time, but personal sales contact is more flexible and can more directly influence opinion. Also, personal sales contacts have the advantage of immediate feedback.

VI. Management Plan

- A. **Form of Business Organization:** The business organization can take several forms, such as: a sole proprietorship, a corporation, or a general or limited partnership. Choosing a form will depend on a number of considerations. The organizational structure should be designed to facilitate the purpose and operation of the business. Businesses with several functions may require several sub-directors or line directors, while others may require only one. It is important that organizational design considers the flow of information and decision making requirements. Too much or too little can have very negative effects on the operation and function of the business.
- B. **Board of Directors:** The board of directors could consist of members of the general business community such as bankers, developers, professionals in the community and others knowledgeable about business practices.
- C. **Officers:** An organization chart should be developed which clearly shows lines of authority. In addition, the responsibilities for each position should be provided in narrative form. This should be supported by position descriptions in the personnel files.
- D. **Resumes of Key Personnel:** Each of the key personnel must provide a personal resume. Resumes should be checked and verified before a position becomes permanent. Resumes, which do not indicate a strong background consistent with the position should be evaluated very carefully.
- E. **Staffing Plan:** A complete staffing plan should be developed which describes the number of employees different skills, and the skill levels required. Also, any on-the-job training programs or formal training programs (existing or proposed) should be described with timetables and expected results.
- F. **Facilities Plan:** Describe the physical plant improvements (buildings and equipment) required for the operations of the business (existing and proposed). Each facility should be described in terms of activities to be performed and where it fits in the process. Where facilities are to be modified or rehabilitated, an implementation schedule should be developed graphically with narrative describing all actions and how they are to be accomplished (describe resources and how they are to be used). Also, if major equipment purchases are to be made, describe the equipment and its use, and how the business will pay for and install it.

- G. Operating Plan: Describe the projected workload for the next one or two years. Any existing contracts should be described with a project time schedule for performance. Anticipated workloads also should be described as well as any seasonal or cyclical workloads, which are typical for the industry. These workloads should be projected with labor force levels to assure maximum productivity.

As part of the operating plan, an operating financial plan should be established which identifies timely capital needs and expenditures.

VII. Financial Data

- A. Financial Statements: Where businesses already exist, financial statements, for the past three years if possible, should be provided, including the following:
1. Balance Sheet: A balance sheet represents a period of time where an account is taken of the total assets and liabilities of the company. The balance sheet is divided into two sides: on the left are shown assets and on the right are shown liabilities and stockholders' equity. Both sides are always in balance. In the assets column, all of the business's plus the stockholder's equity are listed.

The following example is listed:

Assets	Liabilities_____
Current Assets	Current Liabilities
Cash	Notes Payable - Bank
Marketable Securities	Notes Payable - Other
Accounts Receivable	Accounts Payable
Inventories	Accrued Expenses
	Federal Income Tax Payable
Prepaid Expenses	Current Portion Long Term Debt
Fixed Assets	Long Term Liabilities
Land	Long Term Debt
Buildings	Officer's Loans
Machinery	
Office Equipment	Stockholders' Equity
Less Accumulated Depreciation	Preferred Stock
Intangibles (Goodwill, Patents, Etc)	Common Stock
	Accumulated Retained Earnings

Total Assets = Total Liabilities Plus Net Worth

2. Profit and Loss Statement: This document provides a report over a period of time (usually a year) of how well (or poorly) the business performed and provides a statement of profits (or losses) for the period;

SAMPLE PROFIT AND LOSS STATEMENT

	Sales	Sales
Less:	Cost of Goods Sold	- COGS
Equals:	Gross Profit	= GP
Less:	Selling, General & Admin.	- SGA
Equals:	Operating Profit	= Opr. P
Less:	Officer Salaries	- Off. Sal
Less:	Depreciation Expenses	- Depr
Less:	Interest Expense	- i
Less:	Occupancy Costs	- Occ
Less:	Discretionary	- Discrete
Equals:	Earnings before Tax	= EBT
Less:	Taxes	- TX
Equals:	Profit After Tax	= PAT
(Net profit, Net Income, Etc.)		

3. Cash Flow Statement:

Cash Flow is defined (in words, then symbols) as:

	Net Profit	PAT
Plus	Depreciation expense	+ Depr
Plus	Other Non-Cash Charges	+ NCC
Equals	Gross Funds Flow	= G.F.
Less	Operating Needs	
Plus	Operating Sources	
Equals	Cash Flow From Operations	= Opr C.F.
Less	Non-Operating Uses	- NOPR
Equals	Cash Flow Available For Debt Service	= CFA
Less	Debt Service	- D/S
Equals	Net Cash Flow	= NCF

Note: The above formats will be used to generate estimates of cash flow. These are simple formats only; your pro forma should include a specific breakdown of general categories such as "other income," "operating expenses," projections of earnings, profits, etcetera, which are relevant to demonstrating the feasibility of your project.

- B. Three-Year Financial Projections: All businesses expect profits, or at least to match expenses with revenues (except for nonprofit organizations where motives other than profit exist). Based on its knowledge of the industry and market, financial statements, financial projections (pro forma) should be made to determine how well the business can be expected to perform.

Capital expenditures estimates should be identified and coordinated with the facilities plan and cash flow projections. These estimates will affect both the assets and liabilities of the

balance sheet and debt service in the cash flow. It is important that these be scheduled in such a way as they do not conflict with other cash flow needs for operations.

The number of years that the projections are based upon will depend on the business and the needs of the analyst.

All projections should be supported by documentation and a narrative rationale. This should be consistent with the marketing research and business strategy.

C. Explanation of Use and Effect of New Funds: If new funds are being added to an existing business, explain how they will be used, and why they are necessary. Also, explain what effect they will have on an expansion of the business, increased efficiency, allow the business to take advantage of new opportunities, etcetera.

A Sources and Uses form has been provided to list where the new funds will come from and how they will be used. The form can be used to describe the sources that will be participating financially in the project.

Appendix U1
Training Grant Assistance Agreement
Agreement Number _____

(This agreement template should be used for training grants)

A. PARTIES: The parties to this contract (***the Contract***) are (name of local government and address), (the City, Town, or County), and (name of assisted business or non-profit, and address) (***the Contractor***), tax identification number _____.

B. PURPOSE: The purpose of the Contract is for the Contractor to use \$_____ in Community Development Block Grant – Economic Development (CDBG-ED) grant funds for Job Training, to train up to (number) employees over a (number) month period beginning (date) and ending (date). The funding will help train the aforementioned workers in (description of type of worker training).

NOW, THEREFORE, in consideration of the mutual promises and covenants herein, the parties hereto agree as follows:

1. SCOPE AND DUTIES: The Contractor will engage in activities as set forth in the (name of local government)'s Montana Department of Commerce's application, and in the Contractor's Hiring and Training Plan (*Attachment A*), including any written modifications resulting from the review of the application by the Montana Department of Commerce for grant assistance, all of which, by this reference are made a part hereof.

The scope of the Contract is for the Contractor to use \$_____ in CDBG-ED Job Training funds to train up to (number) employees over a (number) month period.

The (City/Town/County) will only release funds to reimburse eligible and documented training costs for an eligible employee, if the employee is compensated at a documented rate of (\$xx.xx) (required minimum amount for 2013) per hour including benefits.

The Contractor will submit status reports on project performance at the request of, and in the format prescribed by, the (City/Town/County) and the Montana Department of Commerce. These reports include, but are not limited to:

- a) Project progress reports describing the status of the project with respect to each implementation objective, including at a minimum, the percentage complete, costs incurred, funds remaining and projected completion date. The report must also describe significant problems encountered, documented uses of matching funds and/or in-kind contributions and any necessary scope or implementation schedule modifications requested; and
- b) Unless otherwise specified, by the (City/Town/County), the Contractor will submit quarterly progress reports to the (City/Town/County) until the goals contained in the plan have been achieved, and the Contractor receives project

closeout approval from the (City/Town/County) and the Montana Department of Commerce.

The Montana Department of Commerce and the (City/Town/County) must pre-approve any changes to these terms and conditions.

2. COMPENSATION & CONSIDERATION: The total amount to be awarded to the Contractor under the Contract will be up to \$5,000 per eligible employee for documented training costs reimbursement not to exceed a total of \$_____ dollars for the entire Contract. The Contractor will provide at least \$_____ in matching funds (cash) consistent with the purposes expressed in the application during the period of the Contract. The Contractor may modify this budget only after having requested and received prior approval of the adjustment from the (City/Town/County), and the Montana Department of Commerce.

The (City/Town/County)'s and the Montana Department of Commerce's approval of the Request for Payment form will constitute approval of the budget adjustment. The rationale for budget adjustment must be described in the Project Progress Report and the proposed adjustments noted in the Request for Payment and Status of Funds Report submitted with draws against the Contract funding reserve.

- a) The (City/Town/County) will authorize the Contractor to draw up to \$_____ against the funding reserved for the Contractor by the (City/Town/County). In drawing against the reserved amount, the Contractor will follow the instructions supplied by the (City/Town/County).
- b) If the (City/Town/County) determines that the Contractor has failed to satisfactorily carry out the duties and responsibilities under the Contract, the (City/Town/County) may revoke the Contractor's authority to draw against the reserved amount described herein until such time as the (City/Town/County) and the Contractor agree on a plan to remedy the deficiency.
- c) The (City/Town/County) reserves the right to withdraw a commitment for any CDBG-ED funds which remain un-disbursed at the end of the Contract period.
- d) Eligible training costs that may be reimbursable include the following:
 - 1. Salaries of eligible employees during training activities;
 - 2. Salaries of in-house trainers during training activities involving eligible employees;
 - 3. Direct costs of training such as manuals, materials, supplies, tuition, prorated shares of consultant or training fees for related training; and,
 - 4. Domestic travel for training.
- e) Ineligible expenses include but are not necessarily limited to the following:

1. Foreign travel;
2. Development of training curriculum and materials;
3. Equipment, buildings or other fixed assets;
4. Sectarian activities;
5. Unionization;
6. Displacement of current employees; and
7. Relocation of any business or part of the business from another location involving loss of any employees at the original location will be considered a violation of the Contract and may, at the Department's discretion, prevent any further requests for funds.

The Contractor shall contact the (City/Town/County) if the Contractor has any questions regarding costs eligible for reimbursement.

3. PERIOD OF CONTRACT: The Contract will be in effect for the period commencing (date) and ending (date) unless otherwise terminated by law or in compliance with the terms of the Contract.

4. LIAISON: The contact person for the (City/Town/County) is (name,title,location) and (name, title, location), for the Contractor.

5. COMPLIANCE WITH WORKERS' COMPENSATION ACT: The Contractor is required to supply the (City/Town/County) with proof of compliance with the Montana Workers' Compensation Act while performing work for the State of Montana. (Mont. Code Ann. §§ 39-71-120, 39-71-401, and 39-71-405.) Neither the Contractor nor its employees are employees of the State. The proof of insurance/exemption must be valid for the entire Contract period and must be received by the (City/Town/County) within 5 working days of the Contractor's execution of the Contract.

CONTRACTS WILL NOT BE ISSUED TO CONTRACTORS WHO FAIL TO PROVIDE THE REQUIRED DOCUMENTATION WITHIN THE ALLOTTED TIME FRAME.

Coverage may be provided through a private carrier or through the State Compensation Insurance Fund (406) 495-5000 or (800) 332-6102. An exemption can be requested through the Department of Labor and Industry, Employment Relations Division (406) 444-1446. Corporate officers must provide documentation of their exempt status.

6. DEBARMENT: The Contractor certifies that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in the Contract by any governmental department or agency. If the Contractor cannot certify this statement, attach a written explanation for review by the (City/Town/County).

7. FAILURE TO HONOR CONTRACT: If the Contractor refuses or fails to deliver in accordance with the Contract terms and conditions, the State Procurement Bureau may, in its discretion, suspend the Contractor for a period of time from entering into any contracts with the State of Montana.

8. ACCESS AND RETENTION OF RECORDS: The Contractor agrees to provide the (City/Town/County), the Montana Department of Commerce, Legislative Auditor, or their authorized agents, access to any records necessary to determine contract compliance (Mont. Code Ann. § 18-1-118). The Contractor agrees to create and retain records supporting the services rendered or supplies delivered for a period of three years after either the completion date of the Contract or the conclusion of any claim, litigation, or exception relating to the Contract taken by the State of Montana or third party.

9. TERMINATION OF CONTRACT: Unless otherwise stated, the (City/Town/County) may, by written notice to the Contractor, terminate the contract in whole or in part at any time the Contractor fails to perform the Contract.

10. UNAVAILABILITY OF FUNDING: The (City/Town/County) may, at its sole discretion, terminate or reduce the scope of the Contract if available funding is eliminated or reduced for any reason.

11. U.S. FUNDS: All prices and payments must be in U.S. dollars.

12. SECURITY: As security for the performance of this Agreement, Contractor will guarantee to the (City/Town/County) that in the event that Contractor does not make jobs available to low and moderate-income persons and cooperate in the documentation of job creation and income verification that the full amount of assistance provided under this agreement will be paid back to the (City/Town/County).

13. DEFAULT: Failure on the part of either party to perform the provisions of the Contract constitutes default. Default may result in the pursuit of remedies for breach of contract, including but not limited to damages and specific performance.

14. CONFORMANCE WITH CONTRACT: No alteration of the terms, conditions, delivery, price, quality, quantities, or specifications of the Contract shall be granted without prior written consent of the (City/Town/County) and the Montana Department of Commerce. Supplies delivered which do not conform to the Contract terms, conditions, and specifications may be rejected and returned at the Contractor's expense.

15. VENUE: The Contract is governed by the laws of Montana. The parties agree that any litigation concerning the Contract must be brought in the (First, Second, etc.) Judicial District in and for the (appropriate County), State of Montana, and each party shall pay its own costs and attorney fees. (Mont. Code Ann. § 18-1-401.)

16. COMPLIANCE WITH LAWS: The Contractor must, in performance of work under the Contract, fully comply with all applicable federal, state, or local laws, rules and regulations, including the Montana Human Rights Act, the Civil Rights Act of 1964, the Age Discrimination Act of 1975, the Americans with Disabilities Act of 1990, and Section 504 of the Rehabilitation Act of 1973. Any subletting or subcontracting by the Contractor

subjects subcontractors to the same provision. In accordance with Mont. Code Ann. § 49-3-207, the Contractor agrees that the hiring of persons to perform the Contract will be made on the basis of merit and qualifications and there will be no discrimination based upon race, color, religion, creed, political ideas, sex, age, marital status, physical or mental disability, or national origin by the persons performing the Contract.

17. **DISABILITY ACCOMMODATIONS:** The (City/Town/County) does not discriminate on the basis of disability in admission to, access to, or operations of its programs, services, or activities. Individuals, who need aids, alternative document formats, or services for effective communications or other disability-related accommodations in the programs and services offered, are invited to make their needs and preferences known to this office. Interested parties should provide as much advance notice as possible.

18. **ASSIGNMENT, TRANSFER AND SUBCONTRACTING:** The Contractor shall not assign, transfer or subcontract any portion of the Contract without the express written consent of the (City/Town/County) and the Montana Department of Commerce. (Mont. Code Ann. § 18-4-141.)

19. **MODIFICATION:** The Contract may not be enlarged, modified, amended or altered except upon written agreement signed by all parties to the Contract.

20. **NOTICE:** All notices required under the provisions of the Contract must be in writing and delivered to the parties' liaisons either by regular mail or personal service.

21. **SEPARABILITY:** A declaration by any court, or any other binding legal source, that any provision of the Contract is illegal and void shall not affect the legality and enforceability of any other provision of the Contract, unless the provisions are mutually dependent.

22. **HOLD HARMLESS AND INDEMNIFICATION:** The Contractor agrees to protect, defend, and save the Montana Department of Commerce, and the (City/Town/County) elected and appointed officials, agents, and employees, while acting within the scope of their duties as such, harmless from and against all claims, demands, causes of action of any kind or character, including the cost of defense thereof, arising in favor of the Contractor's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed or omissions of services or in any way resulting from the acts or omissions of the Contractor and/or its agents, employees, representatives, assigns, subcontractors, except the sole negligence of the State, under the Contract.

23. **REGISTRATION WITH SECRETARY OF STATE:** Any business intending to transact business in Montana must register with the Secretary of State. Businesses that are incorporated in another state or country, but which are conducting activity in Montana, must determine whether they are transacting business in Montana in accordance with Mont. Code Ann. §§ 35-1-1026 and 35-8-1001. Such businesses may want to obtain the guidance of their attorney or accountant to determine whether their activity is considered transacting business.

If businesses determine that they are transacting business in Montana, they must register with the Secretary of State and obtain a certificate of authority to demonstrate that they are in good standing in Montana. To obtain registration materials, call the Office of the Secretary of State at (406) 444-2034, or visit their website at <http://sos.mt.gov>.

24. TECHNOLOGY ACCESS FOR BLIND OR VISUALLY IMPAIRED: Contractor acknowledges that no state funds may be expended for the purchase of information technology equipment and software for use by employees, program participants, or members of the public unless it provides blind or visually impaired individuals with access, including interactive use of the equipment and services, that is equivalent to that provided to individuals who are not blind or visually impaired. (Mont. Code Ann. § 18-5-603.) Contact the State Procurement Bureau at (406) 444-2575 for more information concerning non-visual access standards.

25. REFERENCE TO CONTRACT: The Contract number MUST appear on all invoices, packing lists, packages and correspondence pertaining to the Contract.

26. INTEGRATION: The Contract contains the entire agreement between the parties, and no statements, promises, or inducements of any kind made by either party, or the agents of either party, not contained herein are valid or binding.

This Contract is made and entered into on the _____ day of _____, 20__.

(name, title) _____ Date
(name of assisted business)

(local official's name, title) _____ Date
(name of local government)

Appendix U2
Grant Assistance Agreement
Agreement Number _____

(This agreement sample should be used for infrastructure grants, or non-profit grants)

A. PARTIES: The parties to this contract (***the Contract***) are (name of local government and address), (the City, Town, or County), and (name of assisted business or non-profit and address) (***the Contractor***), tax identification number _____.

B. PURPOSE: The purpose of the Contract is for the Contractor to

(use \$_____ in Community Development Block Grant – Economic Development (CDBG-ED) grant funds for (name activity to be completed under agreement by the non-profit), or

(receive extension of water/sewer services (or other improvement) as a result of the CDBG-ED award to the City, Town or County).

NOW, THEREFORE, in consideration of the mutual promises and covenants herein, the parties hereto agree as follows:

1. SCOPE AND DUTIES: The Contractor will engage in activities as set forth in the (name of local government)'s Montana Department of Commerce's application, and in the Contractor's Hiring and Training Plan (*Attachment A*), including any written modifications resulting from the review of the application by the Montana Department of Commerce for grant assistance, all of which, by this reference are made a part hereof.

The scope of the Contract is for the Contractor to (describe activity).

The Contractor will submit status reports on project performance at the request of, and in the format prescribed by, the (City/Town/County) and the Montana Department of Commerce. These reports include, but are not limited to:

- a) Project progress reports describing the status of the project with respect to each implementation objective, including at a minimum, the percentage complete, costs incurred, funds remaining and projected completion date. The report must also describe significant problems encountered, documented uses of matching funds and/or in-kind contributions and any necessary scope or implementation schedule modifications requested; and
- b) Unless otherwise specified, by the (City/Town/County), the Contractor will submit quarterly progress reports to the (City/Town/County) until the goals contained in the plan have been achieved, and the Contractor receives project closeout approval from the (City/Town/County) and the Montana Department of Commerce.

The Montana Department of Commerce and the (City/Town/County) must pre-approve any changes to these terms and conditions.

2. COMPENSATION & CONSIDERATION: The total amount to be awarded to the Contractor under the Contract will be up to \$5,000 per eligible employee for documented training costs reimbursement not to exceed a total of \$_____ dollars for the entire Contract. The Contractor will provide at least \$_____ in matching funds (cash) consistent with the purposes expressed in the application during the period of the Contract. The Contractor may modify this budget only after having requested and received prior approval of the adjustment from the (City/Town/County), and the Montana Department of Commerce.

The (City/Town/County)'s and the Montana Department of Commerce's approval of the Request for Payment form will constitute approval of the budget adjustment. The rationale for budget adjustment must be described in the Project Progress Report and the proposed adjustments noted in the Request for Payment and Status of Funds Report submitted with draws against the Contract funding reserve.

- a) The (City/Town/County) will authorize the Contractor to draw up to \$_____ against the funding reserved for the Contractor by the (City/Town/County). In drawing against the reserved amount, the Contractor will follow the instructions supplied by the (City/Town/County).
- b) If the (City/Town/County) determines that the Contractor has failed to satisfactorily carry out the duties and responsibilities under the Contract, the (City/Town/County) may revoke the Contractor's authority to draw against the reserved amount described herein until such time as the (City/Town/County) and the Contractor agree on a plan to remedy the deficiency.
- c) The (City/Town/County) reserves the right to withdraw a commitment for any CDBG-ED funds which remain un-disbursed at the end of the Contract period.

The Contractor shall contact the (City/Town/County) if the Contractor has any questions regarding costs eligible for reimbursement.

3. PERIOD OF CONTRACT: The Contract will be in effect for the period commencing (date) and ending (date) unless otherwise terminated by law or in compliance with the terms of the Contract.

4. LIAISON: The contact person for the (City/Town/County) is (name, title, location) and (name, title, location), for the Contractor.

5. COMPLIANCE WITH WORKERS' COMPENSATION ACT: The Contractor is required to supply the (City/Town/County) with proof of compliance with the Montana Workers' Compensation Act while performing work for the State of Montana. (Mont. Code Ann. §§ 39-71-120, 39-71-401, and 39-71-405.) Neither the Contractor nor its

employees are employees of the State. The proof of insurance/exemption must be valid for the entire Contract period and must be received by the (City/Town/County) within 5 working days of the Contractor's execution of the Contract.

CONTRACTS WILL NOT BE ISSUED TO CONTRACTORS WHO FAIL TO PROVIDE THE REQUIRED DOCUMENTATION WITHIN THE ALLOTTED TIME FRAME.

Coverage may be provided through a private carrier or through the State Compensation Insurance Fund (406) 495-5000 or (800) 332-6102. An exemption can be requested through the Department of Labor and Industry, Employment Relations Division (406) 444-1446. Corporate officers must provide documentation of their exempt status.

6. DEBARMENT: The Contractor certifies that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in the Contract by any governmental department or agency. If the Contractor cannot certify this statement, attach a written explanation for review by the (City/Town/County).

7. FAILURE TO HONOR CONTRACT: If the Contractor refuses or fails to deliver in accordance with the Contract terms and conditions, the State Procurement Bureau may, in its discretion, suspend the Contractor for a period of time from entering into any contracts with the State of Montana.

8. ACCESS AND RETENTION OF RECORDS: The Contractor agrees to provide the (City/Town/County), the Montana Department of Commerce, Legislative Auditor, or their authorized agents, access to any records necessary to determine contract compliance (Mont. Code Ann. § 18-1-118). The Contractor agrees to create and retain records supporting the services rendered or supplies delivered for a period of three years after either the completion date of the Contract or the conclusion of any claim, litigation, or exception relating to the Contract taken by the State of Montana or third party.

9. TERMINATION OF CONTRACT: Unless otherwise stated, the (City/Town/County) may, by written notice to the Contractor, terminate the contract in whole or in part at any time the Contractor fails to perform the Contract.

10. UNAVAILABILITY OF FUNDING: The (City/Town/County) may, at its sole discretion, terminate or reduce the scope of the Contract if available funding is eliminated or reduced for any reason.

11. U.S. FUNDS: All prices and payments must be in U.S. dollars.

12. SECURITY: As security for the performance of this Agreement, Contractor will guarantee to the (City/Town/County) that in the event that Contractor does not make jobs available to low and moderate-income persons and cooperate in the documentation of job creation and income verification that the full amount of assistance provided under this agreement will be paid back to the (City/Town/County).

13. **DEFAULT:** Failure on the part of either party to perform the provisions of the Contract constitutes default. Default may result in the pursuit of remedies for breach of contract, including but not limited to damages and specific performance.

14. **CONFORMANCE WITH CONTRACT:** No alteration of the terms, conditions, delivery, price, quality, quantities, or specifications of the Contract shall be granted without prior written consent of the (City/Town/County) and the Montana Department of Commerce. Supplies delivered which do not conform to the Contract terms, conditions, and specifications may be rejected and returned at the Contractor's expense.

15. **VENUE:** The Contract is governed by the laws of Montana. The parties agree that any litigation concerning the Contract must be brought in the (First, Second, etc.) Judicial District in and for the (appropriate County), State of Montana, and each party shall pay its own costs and attorney fees. (Mont. Code Ann. § 18-1-401.)

16. **COMPLIANCE WITH LAWS:** The Contractor must, in performance of work under the Contract, fully comply with all applicable federal, state, or local laws, rules and regulations, including the Montana Human Rights Act, the Civil Rights Act of 1964, the Age Discrimination Act of 1975, the Americans with Disabilities Act of 1990, and Section 504 of the Rehabilitation Act of 1973. Any subletting or subcontracting by the Contractor subjects subcontractors to the same provision. In accordance with Mont. Code Ann. § 49-3-207, the Contractor agrees that the hiring of persons to perform the Contract will be made on the basis of merit and qualifications and there will be no discrimination based upon race, color, religion, creed, political ideas, sex, age, marital status, physical or mental disability, or national origin by the persons performing the Contract.

17. **DISABILITY ACCOMMODATIONS:** The (City/Town/County) does not discriminate on the basis of disability in admission to, access to, or operations of its programs, services, or activities. Individuals, who need aids, alternative document formats, or services for effective communications or other disability-related accommodations in the programs and services offered, are invited to make their needs and preferences known to this office. Interested parties should provide as much advance notice as possible.

18. **ASSIGNMENT, TRANSFER AND SUBCONTRACTING:** The Contractor shall not assign, transfer or subcontract any portion of the Contract without the express written consent of the (City/Town/County) and the Montana Department of Commerce. (Mont. Code Ann. § 18-4-141.)

19. **MODIFICATION:** The Contract may not be enlarged, modified, amended or altered except upon written agreement signed by all parties to the Contract.

20. **NOTICE:** All notices required under the provisions of the Contract must be in writing and delivered to the parties' liaisons either by regular mail or personal service.

21. **SEPARABILITY:** A declaration by any court, or any other binding legal source, that any provision of the Contract is illegal and void shall not affect the legality and

enforceability of any other provision of the Contract, unless the provisions are mutually dependent.

22. **HOLD HARMLESS AND INDEMNIFICATION:** The Contractor agrees to protect, defend, and save the Montana Department of Commerce, and the (City/Town/County) elected and appointed officials, agents, and employees, while acting within the scope of their duties as such, harmless from and against all claims, demands, causes of action of any kind or character, including the cost of defense thereof, arising in favor of the Contractor's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed or omissions of services or in any way resulting from the acts or omissions of the Contractor and/or its agents, employees, representatives, assigns, subcontractors, except the sole negligence of the State, under the Contract.

23. **REGISTRATION WITH SECRETARY OF STATE:** Any business intending to transact business in Montana must register with the Secretary of State. Businesses that are incorporated in another state or country, but which are conducting activity in Montana, must determine whether they are transacting business in Montana in accordance with Mont. Code Ann. §§ 35-1-1026 and 35-8-1001. Such businesses may want to obtain the guidance of their attorney or accountant to determine whether their activity is considered transacting business.

If businesses determine that they are transacting business in Montana, they must register with the Secretary of State and obtain a certificate of authority to demonstrate that they are in good standing in Montana. To obtain registration materials, call the Office of the Secretary of State at (406) 444-2034, or visit their website at <http://sos.mt.gov>.

24. **TECHNOLOGY ACCESS FOR BLIND OR VISUALLY IMPAIRED:** Contractor acknowledges that no state funds may be expended for the purchase of information technology equipment and software for use by employees, program participants, or members of the public unless it provides blind or visually impaired individuals with access, including interactive use of the equipment and services, that is equivalent to that provided to individuals who are not blind or visually impaired. (Mont. Code Ann. § 18-5-603.) Contact the State Procurement Bureau at (406) 444-2575 for more information concerning non-visual access standards.

25. **REFERENCE TO CONTRACT:** The Contract number **MUST** appear on all invoices, packing lists, packages and correspondence pertaining to the Contract.

26. INTEGRATION: The Contract contains the entire agreement between the parties, and no statements, promises, or inducements of any kind made by either party, or the agents of either party, not contained herein are valid or binding.

This Contract is made and entered into on the _____ day of _____, 20____.

<u>(name, title)</u> <u>(name of assisted business)</u>	Date
--	------

<u>(local official's name, title)</u> <u>(name of local government)</u>	Date
--	------

APPENDIX V

Outline for a Preliminary Engineering Report for Community Development Block Grant - Economic Development Infrastructure Projects

I. The Preliminary Engineering Report (PER)

The Preliminary Engineering Report (PER) outline describes the minimum information that should be included in the PER. The PER is submitted as part of an application to the Community Development Block Grant – Economic Development (CDBG-ED) program for an infrastructure project related to an economic development proposal. **The PER must be prepared by a professional engineer licensed to practice in Montana.**

The outline addresses planning requirements for water or wastewater infrastructure projects in support of an economic development project. Reports prepared in this format should meet the Montana Department of Environmental Quality (DEQ) planning requirements under the applicable Circular DEQ-1, DEQ-2 or DEQ-3.

The PER should provide the necessary explanation needed to understand the existing situation, analyze any alternatives, and propose a specific plan based upon the most reasonable solution. Sufficient information must be provided to adequately assess the need for the proposal, feasibility of doing the project, and what the projected costs would be.

The engineer should provide adequate documentation where noted, using technical supporting information (reports, studies, lab analyses, etc. as necessary). Engineers are encouraged to cite supporting technical information and summarize the data if appropriate, rather than attaching lengthy supporting technical information. If the information required by the PER outline is not provided, the application may be rejected or the CDBG-ED program may need to contact the applicant for additional information before the application review can continue.

Environmental resources that may be impacted by the proposed project must be identified and evaluated. This is accomplished by completing the *Full Environmental Checklist for CDBG Economic Development Projects*, analyzing the potential impacts of the project on the identified environmental resources in the PER, and requesting that several State and Federal agencies comment on the selected alternative in order to identify any specific concerns that they may have about the proposed project. This process is explained in more detail in Chapter 2 of the CDBG Grant Administration Manual.

II. PER OUTLINE

The following is a suggested outline that provides guidance regarding the type and level of detail under each of the required headings. It should be noted that the outline is by no means all-inclusive. The engineer should use judgment in presenting sufficient information in the preparation of the PER, taking into account that different systems require varying levels of detail. The level of effort required to prepare the report and the depth of analysis within the report should be proportional to the size and complexity of the proposed project.

Section II.B, is for an evaluation of existing facilities associated with the entire system. The intent of this requirement is not to force the unnecessary expenditure of time or money conducting a detailed engineering study and evaluation of system components not being replaced or improved as part of this project. However, in order for the CDBG-ED program to properly evaluate an application and make meaningful funding decisions, it is necessary for it to know the condition of the system, the improvements that have been made in the past, and how the proposal will affect the system. Drawings, schematics, and the level of detail required to convey this information is left to the professional judgment of the engineer preparing the PER.

The following basic outline represents the minimum information required to produce an acceptable PER:

A. Executive Summary

Provide a summary of why the engineering study was undertaken, a brief description of the basic needs or deficiencies of the system, a brief description of the alternatives considered, a brief description of the preferred alternative, and the estimated total cost to construct the preferred alternative

B. Project Area Definition

1. Identify planning area and existing/potential service area

Using narrative and drawings, describe the area under consideration. The project planning area may be larger than the service area ultimately determined to be economically feasible. The description should include the following information:

a. Location – Indicate legal and natural boundaries, latitude and longitude, major obstacles, elevations, etc, using maps, photographs, and sketches of the planning area.

b. Physical Characteristics of the Area – Describe the physical character of the project area including geology, topography, soil types, groundwater, surface water, vegetation, etc. that may have an impact on the project costs, performance, simplicity, etc. or allow for a more complete understanding of the problem. Provide a copy of the USGS topographic quadrangle map, FEMA floodplain map, wetlands inventory map, and USGS soil identification map in instances where maps have been published.

c. Environmental Resources Present – Provide information on the location and significance of important land resources, historic sites, endangered species/critical habitats, etc., using maps, photographs, studies and narrative. Generally discuss any potential environmental impacts that the project may have on the broad geographical area where the project is to be constructed. Attach any other exhibits, maps, or correspondence that may be applicable to help identify environmental resources present.

The information collected through the *Full Environmental Checklist for CDBG Economic Development Projects* is the basis for identifying the environmental resources in the area that may be affected. The checklist must be signed by a professional engineer and included as an attachment to the PER. If there has been a previous environmental assessment completed for the project area, please include a copy of the assessment in addition to the completed checklist.

At a minimum, state whether any of the following issues will or will not be potentially affected:

- Land use/formally classified lands – (farmland, range land, forestland)
- Biological resources
- Water resource Issues – (quality and quantity)
- Surface
- Groundwater
- 100/500 year floodplains
- Wetlands, including stream crossings
- Cultural resources
- Socio-economic/Environmental justice issues – If the proposed project will be located in a minority or low-income community, analyze if the location of the proposed project will have, or will be perceived to have, disproportionately high adverse human health or environmental effects to the community. If the project will have no disproportionate effects, this should be stated. If the project will have, or may be perceived to have disproportionately, high, or adverse human health, or environmental effects to the community, the analysis must include a description of the efforts made to include minority and low-income populations into the National Environmental Policy Act (NEPA) process.

d. Growth Areas and Population Trends – Identify specific areas of concentrated growth. Provide population projections for the project planning area and concentrated growth areas for the project design period. Base population projections on historical records or economic projections, citing recognized sources.

2. Evaluate condition of existing facilities

Describe the condition of the existing facilities. Note: Provide sufficient detail as necessary for the reviewer to understand the condition of all components of the system. The engineer should use judgment in presenting sufficient information in the preparation

of the PER, taking into account that different systems require varying levels of detail. The level of effort required to prepare the report and the depth of analysis within the report should be proportional to the size and complexity of the proposed project.

a. Layout – Provide a layout for the existing system. The map should provide basic information on the location and size of the components in the system, especially in the case of distribution and collection mains.

b. History – Provide a brief history of the facilities, including when the system was constructed, major improvements and any past problems.

c. Analysis of Existing Facilities – Analyze the system to determine its present condition and ability to meet current and future standards. Are the existing central facilities suitable for continued use? Analyze the capacity for future growth. Justify statements regarding the condition of existing facilities by providing documentation as necessary, and citing the source of information.

C. Describe and document the need for the project and identify any problems to be solved

The engineer should use judgment in presenting sufficient information in the preparation of the PER, taking into account that different systems require varying levels of detail. The level of effort required to prepare the report and the depth of analysis within the report should be proportional to the size and complexity of the proposed project.

1. Health and Safety – Describe concerns, compliance issues, and relevant regulations. Attach correspondence to/from federal, and state regulatory agencies and documentation such as violation of discharge permits, notice of violations, administrative orders, or boil orders.

2. System Operation and Maintenance (O&M) – Discuss operational, administrative and management capacity.

3. Growth – Describe the system capacity that is necessary to meet needs during the planning period. Discuss any consideration given to designing for phased construction. Provide number of new users to be served by this project.

4. Unresolved Problems – Describe any of the problems identified above that are not to be addressed and the reasons for not addressing them. Discuss phasing if applicable.

D. General Design Requirements for Improvements

Describe the general design requirements that will need to be met such as Design Standards for Water Works, regulatory requirements and permits, source(s) of water supply, water protection, water use/demand data, treatment, pumping, transmission/distribution, storage, water meters/conservation, design flows, etc

III. ALTERNATIVE SOLUTIONS

Describe all available alternatives to the proposed project if any, including a no action alternative.

A. Cost Summary for the Preferred Alternative.

Provide an itemized estimate of the project administration and construction costs based on the anticipated period of construction. Include administrative line items such as personnel, office costs, training, legal services, interim interest, bond services, audit costs and other costs associated with the proposed project. Include construction line items for preliminary engineering, engineering design services, construction management, construction costs, land purchase costs, and contingency.

VI. RECOMMENDATIONS AND IMPLEMENTATION

A. Funding Strategy. Describe the proposed funding strategy and resultant user costs.

B. Implementation. Describe how the project will be implemented and any special concerns regarding implementation. Provide a project schedule. Include as part of the schedule the time line for obtaining all project funding. Identify any items that have the potential to delay or prevent the project from going forward.

C. Public Participation. Describe any public participation, meetings, hearings, or comments received from the public about the PER, environmental concerns, or the proposed project in general. Include minutes of meetings, copies of sign-in sheets, and proof of advertisement.

APPENDIX W

PRELIMINARY ARCHITECTURAL REPORT FOR NEW CONSTRUCTION OR REHABILITATION OF EXISTING BUILDINGS

The Preliminary Architectural Report (PAR) is submitted as part of your CDBG-ED application for new construction or rehabilitation of an existing building. The outline presented on the following pages describes the common items necessary to produce the PAR. **The PAR must be prepared by a professional architect licensed to practice in the State of Montana.**

The PAR should adequately describe the existing situation and problem, present and analyze alternatives, and propose a specific course of action for solving the identified problem. Sufficient information must be provided to adequately assess the need for, feasibility, and cost of the project.

The outline is by no means all-inclusive. The architect should use his or her professional judgment to present sufficient information during preparation of the PAR, taking into account that different projects require varying levels of detail (rehabilitation of an existing building versus construction of a new building) and consideration of reasonable alternatives.

The level of effort required to prepare the report and the depth of analysis within the report should be proportional to the size and complexity of the proposed project. The architect should provide appropriate documentation wherever possible to support the analysis of alternatives and the final proposal submitted.

If the PAR does not provide required information, or enough information in order for the Grant Review Committee to make a reasonable decision, the application process may be delayed.

Environmental Considerations

All state and federally funded projects are subject to either the Montana Environmental Policy Act (MEPA) or National Environmental Policy Act of 1969 (NEPA), or both. MEPA seeks to avoid or mitigate adverse impacts on the natural and human environment by mandating careful consideration of the potential impacts of any development assisted with state funds or approved by a state agency. NEPA establishes national policy, goals, and procedures for protecting, restoring, and enhancing environmental quality.

Both laws seek to avoid adverse impacts on the environment by mandating careful consideration of the potential impacts of any development assisted with federal funds or approved by a state agency. Architects and project representatives should consult Appendix E - the **Full Environmental Checklist**, which must be completed and submitted as part of the application to CDBG-ED. In order to avoid delays, adding significantly to project costs, or even preventing a project from being carried out, all

applicants to state or federal infrastructure funding programs must consider potential environmental impacts during the project planning. As a result, local officials will be able to make better decisions by carefully considering the potential environmental consequences of projects and the actions that will be required to mitigate any adverse consequences.

The CDBG-ED program has requirements related to the environmental review process, the selection of the preferred alternative, and adoption of the preliminary architectural report. Applicants should contact CDBG-ED staff to ensure that program requirements will be met.

Preliminary Architectural Report Outline

I. Problem Definition

1. ***Describe and document the need for the project and the problems to be solved.*** Describe the need for the project according to the following criteria:
 1. ***Health and Safety*** - Describe concerns, compliance issues, and relevant regulations such as the Uniform Building Code, zoning ordinances, asbestos, lead-based paint, and other federal, state, local, or tribal requirements. Attach pertinent correspondence to/from appropriate federal and state regulatory agencies.
 2. ***Facility Operation and Maintenance (O&M)*** - Describe O&M concerns with an emphasis on those with the greatest financial and operational impact. Discuss operational, administrative and management capacity.
 3. ***Growth*** - Describe the facility capacity necessary to meet projected needs during the planning period. Discuss any potential for future expansion, if applicable, or any consideration given to designing for phased construction. Provide number of current and projected new users to be served by this project.
2. ***Identify the planning area and existing or potential location of the facility.*** *Using narrative and drawings, describe the area(s) under consideration. The description should include the following information:*
 1. ***Location*** - Indicate legal and natural boundaries, major obstacles, environmental constraints, etc. using maps, photographs, and sketches of the planning area or alternative sites, as applicable.

2. **Environmental Resources Present** - Provide information on the location and significance of important land resources (farmland, range land, forestland, wetlands, and 100 year floodplains, including stream crossings), historic sites, endangered species or critical habitats, etc., using maps, photographs, studies and narrative, as applicable.
 3. **Growth Areas and Projected Population Trends** - Identify specific areas of concentrated growth. Provide population projections for the project planning area and concentrated growth areas for the project design period. Base population projections on historical records, or economic projections, citing recognized sources.
3. ***Evaluate the condition of existing facility(ies).*** Describe the existing facilities including at least the following information:
1. **Layout of The Existing Facility(ies)** - Provide a floor plan for the existing structure(s). Illustrate current space occupied and proposed space requirements.
 2. **History** - Provide a brief history of the facility (ies), including when the structure was constructed, major improvements and any past problems.
 3. **Condition of Facility(ies)** - *Describe present condition, capacity, and if there are existing facilities suitable for continued use.*
 4. **Evaluate Presence of Lead-based Paint and Asbestos** - If the project is related to housing, provide a full evaluation of the presence of lead-based paint and asbestos when existing facilities are being considered.
 5. **Financial Status of Facility(ies)** - Provide information regarding annual O&M costs, tabulation of users, and revenue received for the last three fiscal years. Give status of existing debts associated with the facility(ies).
- D. **General design requirements for improvements** - Describe the general design requirements that will need to be met in discussing the potential alternatives to remedying the facility's problems. Discussion should include consideration of the following, and any other pertinent factors.
1. Site availability,
 2. Square footage requirements,
 3. Site geometry and topography,

4. Property acquisition at reasonable price,
5. Adequate water supply,
6. Adequate wastewater disposal,
7. Public services such as emergency medical, fire protection, law enforcement, and solid waste pickup,
8. Compatible adjacent and nearby land uses, safety and security, traffic; address hazards such as utility corridors or high traffic or other public safety hazards,
9. Access to paved streets and sidewalks for automobiles, emergency vehicles, deliveries, public transit, bicycles, and pedestrians,
10. Site conditions or (environmental or geologic) hazards presenting increased construction or operational costs such as expansive soils, high ground water, rock outcroppings, etc.,
11. Handicapped accessibility (ADA and HUD 504),
12. Location with respect to significant aircraft routes or runway protection zones deemed hazardous by FAA,
13. Location with respect to 100-year floodway of floodplain storm water system as determined by FEMA maps,
14. Local, state, tribal, and federal statutory and code (IBC) requirements, and
15. Other pertinent design requirements.

II. *Alternative Analysis* Address items **1** through **8** above for each alternative.

- A. *Description.*** Describe each alternative site, i.e. existing buildings with potential for rehabilitation or alteration, or alternative building sites.
1. **Existing Buildings** - Describe existing buildings within the community that could be modified to accommodate the proposed facility(ies). Describe potential benefits and deficiencies with each, including code compliance issues, floor space, handicapped accessibility, potential for expansion, as applicable.
 2. **Building Sites** - If proposing new construction, describe alternative building sites available for new construction, any existing structures on the site(s), potential for expansion, proximity to other services, etc.
- B. *Regulatory Compliance and Permits.*** Describe compliance with appropriate regulations such as Uniform Building Code, zoning issues, asbestos, lead-based paint, permits, handicapped accessibility, and other federal state, local or tribal requirements.
- C. *Land Acquisition.*** Identify sites and easements required, if applicable. Specify whether these properties are currently owned, to be acquired or

leased, and whether options have been obtained, contingent upon receipt of funding.

D. *Environmental Considerations.* For the alternative selected for the project, discuss the following:

1. **Affected Environmental Consequences** - Describe and document the environmental resources of the area to be affected (see the *Full Environmental Checklist*). The checklist must be attached as part of this report. If there has been a previous environmental assessment completed for the project area, please include a copy of the assessment in addition to the completed checklist. Identify each environmental resource that will be affected, as applicable.
2. **Mitigation** - Evaluate appropriate short and long-term measures to mitigate each potentially adverse impact. Describe the mitigation measure(s) necessary to minimize adverse impacts upon identified environmental resources. Projects contemplating the renovation of existing structures should thoroughly discuss mitigation measures to address asbestos and lead-based paint, where identified, in accordance with federal and state requirements.
3. **Correspondence** - Include any environmentally related correspondence and agency comments as required by the Environmental Checklist, e.g., the State Historic Preservation Office (SHPO).
4. **Exhibits/Maps** - Include any exhibits, maps, or drawings as applicable to describe potential environmental impacts.

E. *Construction Problems.* Discuss unique concerns such as geological constraints, limited access, underground storage tanks, high water table, asbestos, lead-based paint, contaminated soil, noise, odors, or other conditions that may affect cost of construction or operation of the facility.

F. *Cost Estimates.* Include both:

1. **Project Costs** (i.e., administrative, financial, engineering, architecture, and construction costs.)
2. **Projected Annual Operation and Maintenance (O&M) Costs**

III. Selection of Preferred Alternative

- A. ***Basis of the selection of the preferred alternative.*** Provide an analysis of why the preferred alternative was selected over other alternatives.
- B. ***Site location and characteristics.*** Discuss the site location of any current or proposed facilities, and describe the characteristics of the site(s).
- C. ***Preliminary Architectural Plans.*** Provide preliminary architectural plans (including a proposed floor plan) for the proposed facility.
- D. ***Operational requirements.*** Discuss the expertise required to operate the facility and any unique operational requirements of the facility.
- E. ***Impact on existing facilities.***
- F. ***Design.*** Describe design issues for this project, such as the location of the facility, cost effectiveness, technical feasibility, local resources and suppliers, etc.
- G. ***Cost summary.***
 - 1. **Project Cost Estimate** - Provide an itemized estimate of the project cost based on the anticipated period of construction. Include administrative, development and construction, land and rights, legal, engineering, interest, equipment, contingencies, refinancing, and other costs associated with the proposed project.
 - 2. **Annual Operating Budget** -
 - a. **Income** - Project income realistically. Base projections on likely revenues, membership dues, subsidies, etc.
 - b. **O&M Costs** - Project costs realistically. In the absence of other reliable data, base projections on actual costs of other existing facilities of similar size and complexity. Include facts to substantiate O&M costs estimates. Include salaries, wages, taxes, accounting, auditing fees, legal fees, interest, utilities, insurance, fuel, repairs and maintenance, supplies, chemicals, office supplies, printing, medical supplies and/or equipment, and miscellaneous expenses.
 - c. **Capital Improvements** - Describe annual costs of purchasing or replacing equipment necessary to the function of the facility.

d. **Debt Repayments** - Describe existing and proposed project financing from all sources, and any effect on facility user fees, including any debt coverage requirements.

H. ***Public Participation.*** Describe any public participation, meetings, hearings, or comments received from the public about the PAR or proposed project.

IV. *Conclusions and Recommendations.*

Provide any additional findings and recommendations that should be considered in the evaluation of this project.

CDBG PROGRAM INCOME AND REVOLVING LOAN FUND MANUAL

I N T R O D U C T I O N

This manual has been prepared to assist local governments who manage Community Development Block Grant (CDBG) Revolving Loan Funds (RLF's) in maximizing the long-term benefits of their CDBG/RLF funds. The manual is intended to serve each local government grantee as an instructional guide and provide the Montana Department of Commerce (MDOC) with a means for tracking program income activities operated out of independent, local revolving loan funds.

The U.S. Department of Housing and Urban Development (HUD) requires the MDOC to ensure that CDBG program income is used to meet a national CDBG objective of benefit to low and moderate income persons and, where applicable, comply with the requirements of Title 1 of the Community Development Act of 1974. In turn, the MDOC requires that grantees permitted to retain program income meet these same requirements.

The everyday use of this manual will help a grantee meet these federal and State requirements and ensure that administration of the funds will not be called into question. While there is little authoritative literature on how to administer a revolving loan program within a revolving loan fund, this manual will be a useful introduction to Local Revolving Loan Fund Administration.

I. PROGRAM INCOME

A. DEFINITION OF PROGRAM INCOME

"Program Income" is any income earned by a grantee from CDBG-supported activities such as repayments of principal and interest to a local revolving loan program for housing rehabilitation or economic development. These funds are often received after a project has been completed and closed out and may be retained at the local level, if authorized by the MDOC, to be used for community development activities eligible under the CDBG program.

When program income is generated by an activity that is only partially assisted with CDBG funds, the income shall be prorated to reflect the percentage of CDBG funds used.

Program income **includes**, but is not limited to, the following:

1. Proceeds from the disposition of sale or long-term lease of real property purchased or improved with CDBG funds;
2. Proceeds from the disposition of equipment purchased with CDBG funds;
3. Gross income from the use or rental of real or personal property acquired by a grantee with CDBG funds, less the costs incidental to the generation of the income;
4. Gross income from the use or rental of real property owned by a grantee that was constructed or improved with CDBG funds, less the costs incidental to the generation of the income;
5. Payments of principal and interest on loans made using CDBG funds (the primary source of program income);
6. Proceeds from the sale of loans made with CDBG funds;
7. Proceeds from the sale of obligations secured by loans made with CDBG funds;
8. Interest earned on funds held in a revolving loan account;
9. Interest earned on program income pending disposition of the income;
10. Funds collected through special assessments made against properties owned and occupied by households not of low and moderate income, where they are used to recover all or part of the CDBG portion of the public improvements; and
11. Gross income paid to a grantee from the ownership interest in a for-profit entity acquired in return for CDBG assistance.

Program income does **not include**, but is not limited to, the following:

1. Interest earned on grant advances from the U.S. Treasury. Any interest earned on grant advances is required to be returned to the U.S. Treasury;
2. Proceeds from fund-raising activities carried out by sub-recipients that are receiving CDBG assistance to implement eligible activities;
3. Funds collected through special assessments that have been made to recover the non-CDBG portion of a public improvement;
4. Proceeds from the disposition by the grantee of real property that has been acquired or improved with CDBG funds when the disposition occurs after grant closeout for entitlement grantees;
5. Proceeds from the disposition of real property that has been acquired or improved with CDBG funds, where the disposition occurs within a five-year period after expiration of the agreement between the grantee and sub-recipient.
6. Proceeds from CDBG economic development loans that are used for economic development activities through a community development organization are not considered program income.

B. RETAINING PROGRAM INCOME

Under the federal Housing and Community Development Act, a State may require a local government to return program income to the State to fund additional CDBG activities, except when the local government uses the program income to continue the activity from which such income was derived. The Department's decision to permit the retention of program income by a local government will be based upon the MDOC determination of the adequacy of the proposed plan to expend program income in a administrative manner which coincides with HUD and CDBG requirements, while meeting the community needs of the local government.

It is pertinent that the local government demonstrate that it has, or can quickly develop, the capacity to set up and manage a revolving loan fund for economic development or housing purposes, or a program income plan for other eligible community development activities with the approval of the Department.

C. PROGRAM INCOME PLAN

An applicant requesting to retain program income must submit a plan for the ongoing use and financial administration of any program income, which is submitted at the time of project closeout for housing projects. For economic development projects, the Program Income Plan, (or Revolving Loan Fund), must be submitted before loan repayments are

made. The MDOC's decision to permit a grantee to retain such program income will be based on the adequacy of the proposed program income plan submitted.

The proposed program income plan must provide a description of the following information:

1. Describe how the proposed use of program income will serve to address identified community development needs in a timely manner.
2. Describe how program income-generated activities will be conducted in accordance with this plan, how they will assist low and moderate income (LMI) persons, and be in compliance with requirements of Title I and other Federal and State regulations, when applicable.
3. Describe the primary elements that will make-up the revolving loan program, including:
 - a. Goals and objectives,
 - b. Eligibility requirements,
 - c. Loan review, selection and approval process,
 - d. How the loans will be secured and serviced.
4. Explain how revolving loan fund(s) will be utilized.
5. Describe the related accounting and reporting procedures which to be used when reporting on program income and revolving loan activity.

The grantee must demonstrate that it has the ability to efficiently establish and manage a revolving loan fund. The grantee must also demonstrate its willingness to commit the necessary resources for management of program income received from CDBG financed loans and other CDBG program income.

If the MDOC determines that the proposed program income plan has an inadequate level of support and time frame commitment, the MDOC will recover the program income and commit it to other CDBG eligible activities.

D. PROGRAM INCOME CONTRACTUAL REQUIREMENTS

When MDOC determines that program income is to be retained by a grantee, the grantee should specify in their agreement with MDOC that all activities undertaken with such income will follow the provisions of the written agreement.

Specific requirements are:

1. Include a statement that the financial accounting system will comply with federal and/or State guidelines.
2. Provide assurance that all unexpended funds and collectible accounts will be returned to the MDOC in the event they find evidence of fraud, waste, mismanagement, and/or substantial non-compliance with the program income plan.
3. Include evidence that the governing body has approved the program income plan in a manner that will legally bind the community to follow its guidelines.
4. Specific requirements may be inserted that relate to the project based on the application, other open or closed CDBG projects, current MDOC policy, and the purpose of the revolving loan funds.

E. DISTRIBUTION OF PROGRAM INCOME

1. DISTRIBUTION OF PROGRAM INCOME BEFORE PROJECT CLOSEOUT

All program income received prior to a CDBG project closeout must be returned to the corresponding open project fund as additional funding, and used for the same activities, before a grantee can request an additional drawdown of funds from the project account. The program income will be accounted for and reported on as an integral part of the financial transactions of the CDBG project.

2. DISTRIBUTION OF PROGRAM INCOME AFTER PROJECT CLOSEOUT

If there are no other open CDBG projects, all program income received after closeout of a project must be distributed to an appropriate revolving loan fund or program income account, subject to approval of a grantee's program income plan, and used to support CDBG eligible activities. It may also be used for related revolving loan fund administrative costs, but may not exceed 15% of the total program income received during any fiscal year for housing plans, and 18% for economic development plans. The program income activity will be accounted for and reported on as a part of the financial transactions of the respective revolving loan fund.

MDOC has developed the following policies for expenditure of program income after closeout, which will meet the federal national objective of benefit to low and moderate-income persons and allow local governments some flexibility with their program income. This is described in more detail under "Eligible Uses of Program Income."

F. ELIGIBLE USES OF PROGRAM INCOME

1. After Project Closeout -- For the years of 1992 and prior:
 - If the grantee does not have an on-going grant that was received directly from MDOC at the time of closeout, the MDOC encourages the use of program income for CDBG eligible activities that assist a minimum of 51% low and moderate-income persons.
 - Program income should be expended on activities as specified in the local government's program income plan and/or closeout agreement.
2. Before Project Closeout -- For the years of 1993 and later (*this applies only to program income managed by local governments*):
 - Program income received by a grantee before closeout must be used in accordance with the provisions of Title I. As such, all the regulations and requirements that applied during the term of the project will apply to the program income received before closeout. For the most part, this means that program income must be used for eligible CDBG activities, and that a minimum of 51% of the funds must be used for activities that are clearly designated to meet identified needs of persons of low and moderate income.
3. After Project Closeout -- For the years of 1993 and Later (*this applies only to program income managed by local governments*):

MDOC has developed the following policies for expenditure of program income after close-out which will meet the federal national objective of benefiting low and moderate income persons (LMI) and allow local governments some flexibility with their program income:

- As program income is received, the following applies: For CDBG housing and public facilities activities: a maximum of 15% would be allocated to an administration fund and a minimum of 85% allocated to an activity fund for each state fiscal year;

For CDBG economic development activities: a maximum of 18% would be allocated to an administration fund and a minimum of 82% allocated to an activity fund for each state fiscal year.

- After subtracting administrative costs, the remaining CDBG activity funds must be used on CDBG eligible activities that principally benefit low and moderate-income persons (at least 51%). In addition, all program income received by a grantee after closeout must continue to be used in accordance with the provisions of Title I (Davis Bacon wage rates, environmental review, etc). As such, all regulations and requirements that applied during the term of the project will apply to the program income received after closeout.

An important exception is that federal Title I requirements do not apply to

funds which are less than \$25,000 received and retained in a single year by a grantee. A grantee may use this amount for any eligible CDBG activity that benefits at least 51% low and moderate-income persons. The first annual period for which it may be applied begins with fiscal year 1994, beginning July 1, 1993.

4. For CDBG economic development payments made to a qualified non-profit:

Payments made to a community development organization that uses the funds for continued economic development activities do not have to meet any Federal requirements. However, the local government can still establish requirements for re-use of the funds, and require some CDBG requirements to be followed through grant agreements between the local government and the community development organization. A revolving loan fund plan must be executed that is agreeable to the local government. The local government must also execute a sub-recipient agreement with the community development organization for management of the revolving loan fund.

The Department encourages community development organizations to continue to use loan proceeds for CDBG eligible activities that benefit 51% low and moderate-income persons, and to follow activities specified in the revolving loan fund plan.

REFER TO CHART ON FOLLOWING PAGE FOR A DIAGRAM THAT WILL HELP TO REFLECT PROGRAM INCOME GUIDELINES

PROGRAM INCOME GUIDELINES FOR PROGRAM INCOME MANAGED BY LOCAL GOVERNMENTS

PROJECTS FUNDED FY 92 AND PRIOR			PROJECTS FUNDED IN FY 93 & LATER YEARS
BEFORE CLOSEOUT	AFTER CLOSEOUT		BEFORE CLOSEOUT AND AFTER CLOSEOUT
<p style="text-align: center;">Title I Program Income must be used for CDBG eligible activities & benefits 51% LMI</p>	←	<p style="text-align: center;">Use Program Income Plan in place before Closeout (Using these specs)</p> <p style="text-align: center;">OR</p> <p style="text-align: center;">See 'Projects Funded in FY 1993 and Later Years'</p>	<p style="text-align: center;">85% Activity (Housing) 15% Admin. Limit (Housing) 82% Activity (ED) 18% Admin. (ED)</p> <p style="text-align: center;">Program Income</p>
		↓	↓
		<p style="text-align: center;">85% Activity (Housing), 15% Admin. Limit (Housing) 82% Activity (ED), 18% Admin. Limit (ED)</p> <p style="text-align: center;">* MDOC recommends that as each income payment is received, no more than 15% (Housing) or 18% (ED) be transferred to the admin fund, and the difference transferred to the activity fund.</p>	<p style="text-align: center;">51% LMI Benefit; CDBG Eligible Title I</p>
		Program Income	<p>NOTE: Under HUD regulations, Grantees who receive an aggregate amount of <u>less</u> than \$25,000 within a year do not have to comply with Title I requirements. However, this income must still meet 51% LMI Benefit & be CDBG eligible. This regulation may be applied beginning July 1, 1993 (FY 94).</p>
		↓	
		51% LMI Benefit CDBG Eligible	

II. REVOLVING LOAN FUND PROGRAM

A. REQUIRED REVOLVING LOAN FUND PLAN

The making of real property and business loans by a grantee parallels in importance the function of a financial institution, such as a bank or savings and loan association. Consequently, the MDOC will require a grantee that operates a Revolving Loan Fund (RLF) program to develop a written plan for the administration of its program. This plan will become an integral part of the overall program income plan, referred to on Page 32, PROGRAM INCOME PLAN.

B. REVOLVING LOAN FUND PURPOSE

A revolving loan fund is a separate fund, with a set of accounts independent of other CDBG project accounts, established to carry out eligible housing and/or economic development activities which, in turn generate program income to the fund. Theoretically, it is a fund from which moneys are continuously expended, replenished and again expended. An RLF is the administrative umbrella for the reuse of program income in the making of low interest community loans.

The MDOC will require a grantee to establish the appropriate revolving loan funds, subject to approval of the grantee's Program Income Plan, to continue eligible CDBG activities that are funded with program income of closed-out projects.

A revolving loan fund may not be funded or capitalized with grant funds. However, it may be recapitalized, at the discretion of the governing body, with borrowings from commercial financial institutions or others.

C. REVOLVING LOAN FUND GUIDELINES

To assist a grantee in this undertaking, the MDOC has developed a general set of guides that address the primary elements, which generally make up a revolving loan program plan.

These guides, set out below, are not intended to be a revolving loan program plan as such, but general guidelines to help a grantee accomplish this.

1. Goals and Objectives:

Develop a clear set of goals and objectives, which articulate in quantifiable terms, the purpose of, and reason for the revolving loan program. The purpose of the RLF would reflect the economic conditions and opportunities in the community that the RLF is expected to address. The goals and objectives established should serve as a basis for an organizational strategy and operating plan for the reuse of program income.

2. Eligible Applicants:

Establish criteria for identifying eligible applicants for the revolving loan program. Limited revolving loan resources may necessitate targeting of loans. Targeting of loans is a process that identifies areas of need. Needs might include targeting a specific geographic area of discrimination in lending; targeting existing businesses versus start-up businesses; addressing specific industries affected by lending patterns; addressing discrimination against women and minorities in lending.

3. Eligible and Ineligible Activities:

Develop standards for funding eligible activities, and show how they relate to the community's problems or needs and to the goals and objectives of the revolving loan program. Eligible activities must meet all tests for CDBG eligibility and a national CDBG objective.

4. Eligible Type of Loans:

Determine which type of loans are to be funded, e.g., amortized loans, deferred loans, 100% financing versus public or private partnerships, permanent versus construction loans, direct versus guaranteed, etc., and whether they will be made for the fixed asset family and/or for working capital.

5. Financing Policies:

Establish the minimum and maximum dollar amount of loans; include their terms and rates of interest for repayment. Include policies for restructuring loans or modifying terms, along with any other financing policies required. Quantify acceptable levels of risk. Matching sources and uses of funds is key to the ability to "revolve" funds.

6. Loan Review Committee:

Establish a loan review committee whose purpose is to make recommendations to the governing body. (Ideally, its membership would also include private sector finance professionals.) The committee's membership, role and responsibilities should be specified.

7. Loan Review, Selection and Approval:

Create a process for advertising the revolving loan program. Establish criteria and procedures for review and approval of loan applications. This should include the following:

- a. Provide justification of applicant's need.
- b. Define beneficiaries.

- c. Describe what will be used for necessary or appropriate documentation (certifications, etc.)
- d. Describe the type of credit and financial analyses that will be performed on loan requests.
- e. Describe the manner and time frame for disbursement of loan proceeds
- f. Indicate which loan review and/or approval functions will be delegated to staff and/or the Loan Review Committee; describe which functions will be retained by the governing body.

8. Loan Security:

Secure each amortized real property loan by trust indenture, and secure each deferred real property loan, that provides a contingency for repayment, by lien.

Collateralize, to the extent practical, each business loan. The amount and quality of the collateral should be a matter of policy. The collateral pledged should be confirmed and documented as to type, quality, location, ownership and existing encumbrances.

Require each borrower, where appropriate, to protect the grantee against insurable risks. A copy of each policy underwritten should be filed with the grantee.

9. Loan Servicing:

Establish policies and procedures for loan repayments, loan delinquencies, loan defaults and loan monitoring, and designate who will be responsible for carrying out each of these vital functions.

10. Recapitalization Strategy:

Develop a recapitalization strategy and identify which other financial resources are intended to be used.

11. Title I Compliance Certifications:

Describe the process that will be used to assure that all loan recipients will comply with the appropriate Title I Compliance requirements.

D. GENERAL ACCOUNTING REQUIREMENTS

1. ACCOUNTING STANDARDS

A Grantee must demonstrate that the program income received is used solely for authorized purposes; a requirement that is best met through fund accounting. The required accounting system is the Montana BARS System for Counties, Cities and Towns. BARS is

a fund accounting system that meets all fund accounting requirements, including generally accepted accounting principles.

Fund accounting is a control device that segregates resources and ensures that the segregated resources are used only for their intended purposes.

2. *FUND TYPE TO BE UTILIZED*

There are a number of funds and account groups that are required to be utilized in a fund accounting system, each depending on the financial situation. However, a CDBG grantee retaining program income need only be concerned with revolving loan funds, a subcategory of special revenue funds.

A grantee is authorized to maintain a separate RLF for housing activities and a separate RLF for economic development activities. Or, a grantee may opt to utilize a single RLF for all such activities.

However, it is recommended that a grantee maintain separate RLF's for eligible CDBG activities covered under 1992 and prior contracts, and separate RLF's for eligible CDBG activities covered under 1993 and future contracts.

3. *BASIS OF ACCOUNTING*

The basis of accounting is a term used to refer to when revenues and expenditures, and related assets and liabilities, are recognized in the accounts and reported in the financial statements.

There are three fundamental accounting bases used to account for transactions; the cash basis, the accrual basis, and the modified accrual basis. The basis for revolving loan funds is the modified accrual basis.

Under the modified accrual basis, revenues are recognized when they become susceptible to accrual, which is when they become both measurable and available to finance expenditures of the current period. Available means collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized when the fund liability is incurred.

4. *FUND AND ACCOUNT STRUCTURE*

The chart of accounts is the framework around which the accounting system is built. A chart of accounts is merely a numerical coding system that permits identification of individual accounts. It also simplifies the referencing of entries on documents and records and helps reflect account relationships.

The coding system that follows is consistent with RLF needs and is made up of fund identifiers and balance sheet, revenue and expenditure accounts.

1. Fund Code Identifiers

Fund code identifiers are the numerical indicators assigned to identify independent fiscal and accounting entities with self balancing sets of accounts, consisting of assets, liabilities and fund equities.

Applicable fund Code Identifiers:	Fund No.
• For the years of 1992 and prior:	
Combined RLF2392
Housing RLF2394
Economic Development RLF2395
• For the years of 1993 and future:	
Combined RLF2396
Housing RLF2397
Economic Development RLF2398

2. Balance Sheet Accounts

Balance sheet accounts are those accounts that remain open after the books have been closed at year-end, the balances of which are carried forward into the succeeding year. When properly classified, these accounts form the basis for the balance sheet. Simply, the balance sheet purports to exhibit what a fund owns in the form of assets and what a fund owes in the form of liabilities. The net result of assets minus liabilities is equity.

Applicable general ledger balance sheet accounts:

Account Number	Account Name
101000	Cash
125000	Loans Receivable
172000	Revenue Control
201100	Warrants Payable
202100	Accounts Payable
204000	Contracts/Loans Pay. (Short term)
235100	Contracts/Loans Pay. (Long term)
242000	Expenditure Control
271000	Fund Balance

3. Revenue Accounts

Revenue accounts should be classified by source. The primary function of revenue accounts is to provide a means for verifying the receipt of revenues and to furnish information for preparing financial reports. Revenue accounts are closed out at year-end.

Applicable revenue accounts:

Account Number	Account Name
362000	Miscellaneous
371XXX	Investment Earnings
373010	Interest on Loans
373020	Principal on Loans
381XXX	Other Financing Sources

4. Expenditure Accounts

Expenditures should be classified by function, activity and object. The function classification provides information on the overall purposes or objectives of expenditures. The activity classification provides information according to the specific types of work performed by the organizational unit. The object of expenditure relates to the article purchased or service obtained. The primary functions of expenditure accounts are to provide proper control and furnish information for preparing financial reports. Expenditure accounts are closed out at year-end.

- Applicable Housing expenditure accounts:

470200	Housing Rehabilitation
470210	Administration
	100 Personal Services
	200 Supplies
	320 Printing/Duplicating
	330 Advertising/Publications
	800 Other
470220-86X	Acquisition of Property
470240-86X	Rehabilitation Loans
470260-86X	Planning and Management
470270-86X	Clearing and Demolition
470280-86X	Code Enforcement

- Applicable Economic Development expenditure accounts:

470300	Economic Development
470310	Administration
	100 Personal Services
	200 Supplies
	320 Printing/Duplicating
	330 Advertising/Publications
	800 Other
470320-86X	Economic Development Loans
470330-86X	Other

5. *BASIC ACCOUNTING RECORDS*

The books of accounts maintained are assumed to be on the double entry system. A double entry system is defined as a system, which requires for every entry made to the debit side of an account(s), an entry for a corresponding amount(s) be made to the credit side of another account(s).

The records required to account for program income funds are of two types, the books of original entry and the books of final entry. The books of original entry are those records in which transactions are recorded for the first time, e.g., the Cash Receipts Journal, the Cash Disbursement Journal and the General Journal Voucher. The books of final entry are the summary records in which accounting information is accumulated for financial reporting, e.g., the General Ledger. In an automated environment, however, a single transaction may be recorded simultaneously in the books of original entry and the books of final entry.

The books of original and final entry are described below:

- Cash Receipts Journal

All cash received is recorded in this book of original entry.

- Cash Disbursement Journal

All cash disbursed is recorded in this book of original entry.

- General Journal Voucher (GJV)

All transactions in place of, or supplemental to, the regular journals are recorded in this book of original entry. The voucher is a substitute for maintaining a formal general journal.

- General Ledger

The general ledger is the book of final entry, where all summarized journal transactions are posted. It contains the accounts necessary to present after closing, the financial representations of the organizational unit.

It is virtually impossible to discuss the books of original entry without discussing their relationship to source documents. Specifically, source documents are documents upon which evidence of accounting transactions are initially recorded. They may be internally or externally created and are used as the source entry and support to the various books of original entry. Examples of source documents are general receipts, purchase orders, invoices, claims, payroll time records, contracts, etc.

6. *SPECIAL ACCOUNTING PROVISIONS*

Treatment of Revolving Loans

Authoritative literature on accounting for revolving loans is skimpy at best. The December, 1989 GAAFR Review, the last known up-date on the subject, published by the Government Finance Officers Association, discusses the pros and cons of several possible treatments.

One common approach to accounting for such revolving loans is to report revenues and expenditures in a special revenue fund. The repayments of loan principal are reported as revenue. Similarly, the disbursement of loan proceeds is reported as expenditures. This approach produces a continuing cycle of revenue and expenditure as the loan "revolves." For financial purposes, receivables are reported on the balance sheet with a corresponding amount of deferred revenue. Governments often favor this approach because it allows them to report cash flows related to loans in the operating statement of the same fund. Unfortunately, it is questionable whether it is appropriate to report a loan as expenditures and the repayment of principal as revenues.

An alternative approach would be to report the disbursement of loan proceeds and the repayments of loan principal as balance sheet transactions i.e., the exchange of one type of asset (cash) for another (receivables). Accordingly, a grantee may wish to use an enterprise fund to account for revolving loans. Because they are balance sheet transactions, the disbursement of loan proceeds and the collection of principal repayments would not be reflected in the operations of an enterprise fund. Unlike a special revenue fund, an enterprise fund is required to present a statement of cash flows.

Until authoritative literature on accounting for revolving loans is more definitive, the use of a special revenue fund, because of its simplicity, is favored over the use of an enterprise fund.

Loan Subsidiary Records

In most cases, provided they are kept up-dated, each loan amortization schedule will serve, and may be used, as the individual loan receivable record. When an amortization schedule is not generated, then an individual subsidiary account must be maintained for each loan.

Uncollectible Loans

a. Real Property Loans:

Given that all real property loans will be secured by trust indentures, it would seem unnecessary to make any allowance for doubtful loans. However, any such decision will need to be based on current loan-loss experience and/or existing market conditions.

b. Business Loans:

Some business loans, on the other hand, will invariably become uncollectible, whether collateralized or uncollateralized. If it is probable that a loan has been impaired, then the estimated loss should be expensed as a bad debt.

If a loan was collateralized and some recovery made, then this recovered amount should be netted against the loan loss.

There are two methods in use for dealing with losses from uncollectible loans receivable. The direct write-off method, and the allowance method. Either method is acceptable, but the allowance method is the preferred method. (For a complete discussion, including illustrative accounting entries, please refer to Pages D-11 and D-12 of the (LGS) Accounting Policies.)

7. *FINANCIAL REPORTING REQUIREMENTS*

The annual financial statements prepared by a grantee must present fairly its financial position and results of operations in accordance with generally accepted accounting principles, and they must include all revolving loan funds in the following type of statements:

- The Combined and Combining Balance Sheets - All Fund Types;
- The Combined Statements of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types;
- The Combined and Combining Statement of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual - All Governmental Fund Types.

E. INTERNAL CONTROL

Internal control is recognized as fundamental and indispensable to all types of organizations. It can be defined in terms of two elements, administrative controls and accounting controls. Administrative controls are designed to encourage adherence to prescribed policies and accounting controls, which deal with safeguarding assets.

Both administrative and accounting controls are implemented primarily through -

- Developing specific written procedures that specify how activities and functions will be conducted:
- Segregating key control duties and responsibilities among different employees: and
- Monitoring these procedures, duties and responsibilities to ensure conformance over time.

A grantee is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by a grantee are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of internal control are to provide a grantee with reasonable, but not absolute, assurance that assets are safeguarded against loss and that transactions are executed in accordance with a grantee's authorization.

In the financial operation of revolving loan funds, it is presumed that, as a minimum, a grantee will see that the work is properly segregated so that no one person is allowed to perform a complete cycle of operations. Where segregation of duties is not always possible because of staffing limitations, management should function in an oversight capacity. In such an event, the oversight provided should be as compensating as circumstances permit.

Internal control may not eliminate the probability that errors or irregularities will occur. However, the probability of their occurrence can be reduced if a grantee implements the proper administrative and accounting control policies and procedures.

F. ILLUSTRATIVE ACCOUNTING ENTRIES

The following illustrative account entries represent those most commonly associated with revolving loan funds on a recurring basis. These illustrations are not intended to be all-inclusive, but they are intended to exhibit a cross-section of pertinent entries, without undue repetition. (Note: "Sub" is the abbreviation for subsidiary. It is the account detail, which supports the general ledger control account).

HOUSING RLF

- a. A grantee agreed to loan Mr. & Mrs. Smith \$99,000 to refurbish a multiple housing unit and expended, on behalf of the Smith's, \$99,000 on the unit.

Related Accounting Entries:

		<u>Debit</u>	<u>Sub</u>	<u>Credit</u>
2394-242000	Expend. Control	\$99,000		

2394-470240-86X	Rehab. Loans	\$99,000	
2394-101000	Cash		\$99,000

(To record payment for the multiple housing unit. Ordinarily, this entry would be recorded as a part of the cash disbursement process - most likely through a claims fund.)

		<u>Debit</u>	<u>Credit</u>
2394-125000	Loans Receivable	\$99,000	
2394-223800	Deferred Revenue		\$99,000

(To record the loan receivable. This entry requires the preparation of a GJV.)
Related Accounting Procedures:

The appropriate warrants or checks would be drawn, signed by the designated persons and delivered or mailed to the respective parties.

The warrants or checks would be entered in the Cash Disbursement Journal and later posted to the General Ledger.

A general journal voucher (GJV) would be used to book the loan receivable and later the information would be posted to accounts in the General Ledger.

- b. Mr. & Mrs. Smith made the first payment of principal and interest on their housing loan. The amortized loan is for 20 years at the interest rate of 5 percent per annum. The amount due, according to the amortization schedule, is \$395 for principal and \$475 for interest, a total of \$870.

Related Accounting entries:

		<u>Debit</u>	<u>Credit</u>	<u>Sub</u>
2394-101000	Cash	\$870		
2394-172000	Revenue Control		\$870	
2394-373010	Interest			\$475
2394-373020	Principal			395

(To record receipt of housing loan payment. Ordinarily, this entry would be recorded as part of the cash receipt process.)

		<u>Debit</u>	<u>Credit</u>
2394-223800	Deferred Revenue	\$395	
2394-125000	Loans Receivable		\$395

(To record the amount of principal paid by the Smith's on their housing loan. This entry requires the preparation of a GJV.)

Related Accounting Procedures:

A receipt document would be issued for the principal and interest proceeds and they would be distributed to the RLF.

The receipt document would be entered in the Cash Receipts Journal and later posted to accounts in the General Ledger.

A general journal voucher (GJV) would be used to record the principal paid by the Smiths on their housing loan and later the information would be posted to accounts in the General Ledger.

The loan amortization schedule would serve as the subsidiary loan receivable record.

- c. The housing RLF generated and received \$1,000 in interest earnings.

Related Accounting Entries:

		<u>Debit</u>	<u>Credit</u>	<u>Sub</u>
2394-101100	Cash	\$1,000		
2394-172000	Revenue Control		\$1,000	
2394-371XXX	Interest			\$1,000

(To record interest earnings. Ordinarily, this entry would be recorded as part of the cash receipt process.)

Related Accounting Procedures:

A receipt document would be issued for the interest earnings and they would be distributed to the RLF.

The receipt document would be entered in the Cash Receipts Journal and later posted to accounts in the General Ledger.

- d. The grantee expended \$800 for personal services, \$100 for supplies, \$50 for printing and \$50 for advertising, all chargeable to the administration activity.

Related Accounting Entries:

		<u>Debit</u>	<u>Sub</u>	<u>Credit</u>
2394-242000	Expend. Control	\$1,000		
2394-470210-100	Pers Services		\$800	
2394-470210-200	Supplies		100	
2394-470210-320	Printing		50	
2394-470210-330	Advertising		50	
2394-101000	Cash			\$1,000

(To record payment of administration expenses. Ordinarily, this entry would be recorded as part of the cash disbursement process - most likely through a claims fund.)

Related Accounting Procedures:

The appropriate warrants or checks would be drawn, signed by the designated persons and delivered or mailed to the respective parties.

The warrants or checks would be entered in the Cash Disbursement Journal and later posted to accounts in the General Ledger.

5. At year-end, all revenue and expenditure accounts are closed-out to fund balance. Assuming that the preceding housing transactions represent the entire year's business, the following would be the closing entries.

Related Accounting Entries:

		<u>Debit</u>	<u>Credit</u>
2394-172000	Revenue Control	\$ 1,870	
2394-271000	Fund Balance	98,130	
2394-242000	Expend. Control		\$100,000

(To record year-end closing.)

Related Accounting Procedures:

A general journal Voucher (GJV) would be used for the closing entries and later the information would be posted to accounts in the General Ledger.

ECONOMIC DEVELOPMENT RLF

- a. A grantee loaned the XYZ company \$25,000 on a six month, uncollateralized, 6 percent note.

Related Accounting Entries:

		<u>Debit</u>	<u>Sub</u>	<u>Credit</u>
2398-242000	Expend. Control	\$25,000		
2398-470320-86X	Ec. Del. Loan		\$25,000	
2398-101100	Cash			\$25,000

(To record loan made. Ordinarily, this entry would be recorded as a part of the cash disbursement process - most likely through a claims fund.)

		<u>Debit</u>	<u>Credit</u>
2398-125000	Loan Receivable	\$25,000	
2398-223800	Deferred Revenue		\$25,000

(To record loan receivable. This entry requires the preparation of a general journal voucher.)

Related Accounting Procedures:

The appropriate warrants or checks would be drawn, signed by the designated persons and delivered or mailed to the respective parties.

The warrants or checks would be entered in the Cash Disbursement Journal and later posted to accounts in the General Ledger.

A general journal voucher (GJV) would be used to book the loan receivable and later the information posted to accounts in the General Ledger.

- b. The XYZ Company repaid the 6 percent business loan in full, six months after it was made. The repayment totaled \$25,750 ($\$25,000 \times .06 / 2 = \$750 + \$25,000$.)

Related Accounting Entries:

		<u>Debit</u>	<u>Credit</u>	<u>Sub</u>
2398-101100	Cash	\$25,750		
2398-172000	Revenue Control		\$25,750	
2398-37301	Interest			\$750
2398-373020	Principal			\$25,000

(To record receipt of business loan payment in full. Ordinarily, this entry would be recorded as part of the cash receipt process.)

		<u>Debit</u>	<u>Credit</u>
2398-223800	Deferred Revenue	\$25,000	
2398-125000	Loans Receivable		\$25,000

(To record the amount of principal paid on the XYZ Company's business loan. This entry requires the preparation of a general journal voucher.)

Related Accounting Procedures:

A receipt document would be issued for the principal and interest proceeds and they would be distributed to the RLF.

The receipt document would be entered in the Cash Receipts Journal and later posted to accounts in the General Ledger.

A general journal voucher (GJV) would be used to record the principal paid by the XYZ Company on their business loan and later the information would be posted to accounts in the General Ledger.

3. At year-end, all revenue and expenditure accounts are closed-out to fund balance. Assuming that the preceding economic development transactions represent the entire year's business, the following would be the closing entries.

Related Accounting Entries:

		<u>Debit</u>	<u>Credit</u>
2398-172000	Revenue Control	\$25,750	
2398-242000	Expend. Control		\$25,000
2398-271000	Fund Balance		\$750

(To record year-end closing.)

Related Accounting Procedures:

A general journal voucher (GJV) would be used for the closing entries and later the information would be posted to accounts in the General Ledger.

G. RECORDS RETENTION

The type of documents, records and reports that follow must be retained for three years. However, in the event of litigation, claims, audit or other action, such documents, records and reports must be retained until completion of the action or regular time period, whichever is later.

1. Documents

- a. Receipts
- b. Purchase Orders
- c. Invoices/Statements
- d. Claims
- e. Checks
- f. Warrants
- g. Budgets
- h. Contracts/Agreements

2. Records

- a. Accounting
- b. Budgetary
- c. Payroll
- d. Time Sheets
- e. Bank Statements
- f. Minutes, Loan Review Committee

3. Reports

- a. Financial Statements - Monthly and Annual
- b. Budgetary - Monthly and Annual

- c. Payroll
- d. Annual Program Income Activity Reports
- e. Annual Statistical Loan Reports
- f. Semi-Annual Loan Portfolio Data Reports (economic dev. activity only)

4. Other

- a. Loan Applications
- b. Loan Review and Selection Documentation
- c. Title I Compliance Certifications

These documents, records and reports are subject to all applicable laws and requirements relating to public access, privacy and confidentiality.

H. PROGRAM INCOME TRACKING

Because the MDOC has ultimate responsibility for the program income retained and used at the local level, it is required to ensure that such program income is used in a manner consistent with CDBG requirements. The MDOC will institute a grantee reporting process. This will require that each local government report the total program income fund's activity for the fiscal year July 1 to June 30. Reports will be due August 15 of each year. This applies to projects funded that have been closed out and/or are receiving loan repayments on a project that is not open. HUD requires that states continue to report local government's program income balance after a project has been closed out.

For local government grantees that have economic development CDBG projects, an additional report, the Loan Portfolio Data Report, must be submitted once a year as of December 31 with the Business Resources Division. This report compiles loan information for all primary and secondary loans derived from the use of CDBG funds.

I. MDOC REPORTING REQUIREMENTS

The Loan Portfolio Data Report will show the source and lending activity of all program income retained and used by a grantee. For reporting convenience, the MDOC has enclosed a sample Loan Portfolio Data Report, **Appendix A**.

For housing revolving loan funds, please refer to **Appendix B** for the program income reporting form. Program income activity must be reported separately for the contract years of 1992 and prior and for the contract years of 1993 and later.

The compliance certification for this report must be signed by the appropriate local official. In so doing, the grantee certifies that program income was expended for eligible CDBG activities and/or the requirements of Title I.

The Loan Portfolio Data Report or the Annual Program Income Report will provide the MDOC with basic information on the condition of a grantee's revolving loan portfolio for analytical review.

J. NON - GRANTEE ADMINISTRATION

A grantee that has an approved program income plan may contract with a non-profit organization or bank to administer its revolving loan funds, subject to the MDOC approval. The organization selected must be a community based non-profit organization that has legal authority to make loans. Administration means accepting and carrying out responsibility for the day-to-day functions of RLF's.

A written agreement must exist between a grantee and the RLF administrator. The agreement must remain in effect during any period that the administrator has responsibility for program income activity. The minimum provisions that must be included in the agreement are a statement of work to be performed; records and reports to be maintained; requirements for how program income is to be managed; applicability of Federal Circulars and other such requirements; provision for termination of the agreement and a policy on reversion of assets at termination.

A grantee must receive an annual audit report or a single audit report from the administering organization. Copies of such report(s) must also be submitted to the MDOC.

III. AUDIT REQUIREMENTS

A. STATE LAWS AND REGULATIONS

1. Sections 2-7-501 through 2-7-522 of Montana Code Annotated (MCA) set forth the requirements for the audit of political subdivisions and is called the Montana Single Audit Act.
2. Title 2, Chapter 4, Subchapter 4 of the Administrative Rules of Montana (ARM) sets forth the regulations of the Montana Single Audit Act for political subdivisions.
3. Montana Department of Administration Local Government Services Compliance Supplement for Audits of Montana Local Government Entities sets forth some of the legal compliance matters which are important to financial operations of political subdivisions.

B. FEDERAL - LAWS AND REGULATIONS

1. The Single Audit Act of 1984 (31 U.S.C. 7501-7507) as amended by the Single Audit Act of 1996 (P.L. 104-156) is the principal federal audit statute. It imposes a set of audit requirements (outlined in this chapter) on recipients of federal grant funds, including CDBG funds.
2. OMB Circular A-133 (Audits of States, Local Governments, and Non-Profit Organizations), as revised June 24, 1997, sets forth the regulations issued by the federal Office of Management and Budget (OMB) to implement the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996.
3. OMB Circular A-133 Compliance Supplement, April, 1999 sets forth the principal compliance requirements for the largest federal aid programs, including CDBG.
4. Administrative Requirements for Grants and Cooperative Agreements to State, Local and Federally Recognized Indian Tribal Governments, 24 CFR Part 85. This part of the CFR (Code of Federal Regulations) establishes uniform administrative rules for federal grants and cooperative agreements and sub-awards to state, local and Indian tribal governments.
5. Government Auditing Standards, 1994 Revision (referred to as the "Yellow Book") contains generally accepted government auditing standards applicable to the grantee. Issued by the U.S. Comptroller General, these standards incorporate generally accepted auditing standards as adopted by the American Institute of Certified Public Accountants (AICPA).

C. STATE AUDIT REQUIREMENTS

1. Audit Requirements Found in Montana Law -- Section 2-7-503(3), MCA.

Section 2-7-503(3) of the Montana Single Audit Act requires that the governing body or managing or executive officer of each local government entity receiving revenues or financial assistance **in excess of \$200,000** during the reporting period (1 year) must provide for an **organization-wide audit** to be conducted **at least every 2 years**. This organization-wide audit must cover the entity's two preceding fiscal years. The audit must commence within 9 months from the close of the last fiscal year of the audit period. The audit must be completed and submitted to MDOC for review within 1 year from the close of the last fiscal year covered by the audit.

2. The purpose of the Montana Single Audit Act -- Title 2, Chapter 4, Sub-Chapter 4, ARM.

The purpose of the Montana Single Audit Act is to:

- a. Improve the financial management of local government entities with respect to federal, state, and local financial assistance.
- b. Establish uniform requirements for financial reports and audits of local government entities.
- c. Ensure constituent interests by determining that compliance with all appropriate statutes and regulations is accomplished.
- d. Ensure that the financial condition and operations of the local government entities are reasonably conducted and reported.
- e. Ensure that the stewardship of local government entities is conducted in a manner to preserve and protect the public trust;
- f. Ensure that local government entities accomplish, with economy and efficiency, the duties and responsibilities of the entities in accordance with the legal requirements imposed and the desires of the public; and
- g. Promote the efficient and effective use of audit resources.

3. Audit and Audit Report Standards

- a. All audits performed under section 2-7-503, MCA, must be conducted in accordance with Government Auditing Standards, issued by the U.S. Comptroller General that are applicable to financial audits. See ARM 2.4.411(3). Those standards incorporate generally accepted auditing

standards as adopted by the American Institute of Certified Public Accountants.

- b. Audits must conform to the requirements of the Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996, (P.L. 98-502) and the OMB Circular A-133. See ARM 8.94.4111(4).
- c. All audit reports shall comply with the reporting standards for financial audits prescribed in Government Auditing Standards as established by the U.S. Comptroller General, which incorporate the standards of reporting for financial audits prescribed by the American Institute of Certified Public Accountants. See ARM 8.94.4111(3).
- d. For audits conducted under the provisions of the OMB Circular A-133, the audit reports shall comply with the reporting requirements of that circular.

D. FEDERAL AUDIT REQUIREMENTS

Local governments that **expend \$500,000 or more in a fiscal year in federal awards** are subject to the federal Single Audit Act and OMB Circular A-133 and therefore must have a single or program specific audit.

General Scope of An OMB Circular A-133 Audit

OMB Circular A-133 audits must be conducted by an independent auditor in accordance with Government Auditing Standards. They must cover the entire operations of the local government or (if state law is not applied) -- at the option of the local government, the audit may include a series of audits that cover departments, agencies, and other organizational units that expended or otherwise administered federal awards during the fiscal year, provided that each audit encompasses the financial statements and the schedule of expenditures of federal awards for each such department, agency, and organizational unit.

The audit must cover the following areas:

- a. Financial Statements. The auditor must determine whether the financial statements of the local governments are presented fairly in all material respects in conformity with generally accepted accounting principles (GAAP).

The auditor must also determine whether the schedule of expenditures of Federal awards is presented fairly in all material respects in relation to the local government's financial statements taken as a whole.

- b. Internal Control Systems. The auditor must perform procedures to gain an understanding of internal control over compliance for each major program, assess the control risk, perform tests of those controls unless the controls are deemed to be ineffective. The auditor must perform procedures to obtain an

understanding of internal control over federal programs that is sufficient to plan the audit to support a low assessed level of control risk for each major program.

- c. Compliance. The auditor must determine whether the local government complied with laws, regulations, and the provisions of contracts or grant agreements pertaining to federal awards that may have a direct and material effect on each of its major programs.

OMB Circular A-133 instructs auditors to make a special effort to detect possible fraud, waste, and mismanagement. In particular, audits should include a review of the local government's:

1. internal accounting and administrative control system;
2. drawdown practices;
3. use of project income;
4. direct costs charged to the CDBG program;
5. indirect cost allocation plans and indirect costs charged to the CDBG program, if applicable;
6. procurement practices;
7. property management practices; and
8. procedures and documentation supporting compliance with applicable laws, regulations, contracts and grant agreements.

The auditor may submit a preliminary report to the governing body for its review and comment. Local officials may work closely with the auditor to resolve any potential findings before the issuance of the final audit report.

If the auditor becomes aware of illegal acts or other irregularities, Section 2-7-515, MCA, and the Single Audit Act require that prompt notice be given to the chief elected official above the level of involvement. **The grant recipient, in turn, must promptly notify Montana Department of Administration of the illegal acts and irregularities and of proceedings instituted or to be instituted relating to the violations of law and nonperformance of duty.**

"Illegal acts and irregularities" include such matters as conflicts of interest, falsification of records or reports, and misappropriations of funds or other assets. The grantee should also inform the county, city or town attorney, as appropriate. If the county, city or town attorney fails or refuses to prosecute the case, the Montana

Department of Administration may employ an attorney to prosecute the case at the expense of the respective governmental entity.

Four copies of the audit must be forwarded to the Local Government Services (LGS) Bureau, Audit Review Section, Accounting and Management Support Division, Montana Department of Administration. A copy of the audit report should be placed in the local project closeout file. Section 2-7-515, MCA, covers actions to be taken by governing bodies upon receipt of the audit report.

If there are audit findings, the grantee must, within 30 days of receipt of the audit report, prepare a corrective action plan outlining how the findings will be resolved and submit it to LGS.

Note that OMB Circular A-133 requires that at the completion of the audit, the auditee shall prepare a corrective action plan to address each audit finding included in the current year auditor's reports. The corrective action plan shall provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required then the corrective action plan shall include an explanation and give specific reasons why no corrective action is necessary. LGS will notify the auditor whether the responses are sufficient. All audit findings must be resolved within six months of the issuance of the final audit report.

OMB Circular A-133 requires that the recipient submit copies of the audit reports and description of data collection form to the federal department or agency that provided federal assistance funds to the recipient (called the "cognizant agency"). The cognizant agency for Montana CDBG grant recipients is the Montana Department of Commerce, Audit Review Section, Local Government Services. Audit reports for other federal agencies that have provided federal financial assistance during the term of the CDBG project must be sent to the appropriate federal agencies. The reports shall be sent within 30 days after the completion of the audit, but no later than nine months after the end of the audit period. For fiscal years beginning on or before June 30, 1998, the audit shall be completed and the data collection form and reporting package shall be submitted within 30 days after receipt of the auditor's reports, or 13 months after the end of the audit period.

The auditee shall submit a data collection form that states whether the audit was completed in accordance with OMB Circular A-133, and provides information about the auditee, its Federal programs, and the results of the audit.

Grantees with more than \$500,000 of combined federal financial expenditures in any one year during the term of their project must, in addition, send one copy of the audit report, within 30 days after issuance, to the central clearinghouse designated by the federal Office of Management and Budget. The address for the clearinghouse for Montana CDBG grant recipients is indicated below:

**Federal Audit Clearinghouse
Bureau of the Census
1201 E. 10th Street
Jeffersonville, Indiana 47132**

APPENDIX A LOAN PORTFOLIO DATA (LPD) FORM

Attached for your use is a copy of the CDBG-ED "Loan Portfolio Data" Form. The U.S. Department of Housing and Urban Development (HUD) requires the Montana Department of Commerce (MDOC) to track CDBG-ED assisted loan businesses. Due to imminent changes in the CDBG-ED program mandated by HUD, the MDOC needs to track primary and secondary loan activities generated from the above awards, in order to report program performance measurements for the CDBG-ED program. This information also enables the Department to better provide technical assistance to local governments and local development organizations on community development objectives.

Grantee communities may use the LPD form, or its equivalent, to file CDBG-ED funded loan information to update our data base system on an annual basis, as of the end of each December. **The reports are due no later than January 31 for the period ending December 31.**

You may make copies of the enclosed forms for future LPD reporting. Please submit a completed form, or its equivalent for **each CDBG-ED assisted business.** Send the form(s) to:

CDBG-ED Program
Business Resources Division
Montana Department of Commerce
P.O. Box 200505
Helena, MT 59620-0505

Please call (406) 841-2734 for additional information or assistance.

**MONTANA COMMUNITY DEVELOPMENT BLOCK GRANT
ECONOMIC DEVELOPMENT (CDBG-ED) LOAN PROGRAM
PRIMARY LOAN PORTFOLIO DATA**
Please copy sheets as needed for reporting each primary loan.

Report as of: _____ Contract Number: _____

Grantee (Local Government) : _____

Business Name: _____

Business Location:

Business Contact: _____ Phone _____

Business Address: _____

Prepared _____ by: _____
Phone _____

1) CDBG-ED Loan Information:

Original Date of Loan: _____

Total Loan Amount (CDBG-ED ONLY) \$ _____

Monthly Payment Amount: \$ _____

Total Payments to Date: \$ _____

(Cumulative Interest Payments: \$ _____)

(Cumulative Principal Payments: \$ _____)

Interest Income Earned: \$ _____

Remaining Repayment Amount: \$ _____

Interest Rate: _____ %

Loan Term: _____ Years

Remaining Term: _____ Years

Security: _____

2) Current on Loan Payments? Yes_____ or No_____

If not current, explain:

3) If Bankrupt, Total Recapture Amount: \$ _____

4) Jobs: # Created: _____ # Retained: _____

LMI Created: _____ # LMI Retained: _____

5) Further Leverage/Spin-off Activities, directly related to this project, if known:

6) Any Secondary Loan Activity to Date? Yes_____ or No_____ (If yes, fill out next page.)

SECONDARY LOAN ACTIVITY

Must be reported throughout life of all secondary loans generated from Program Income. Please copy sheets as necessary for reporting each secondary loan.

LOAN # _____

Original Local Government Grantee: _____

Primary Loan Contract Number: _____

Primary Loan Business Name: _____

Secondary Loan Business Name: _____

Secondary Business Address: _____

Purpose of Loan: _____

CDBG-ED Eligible Activity? Yes___ or No___ (See CDBG-ED Program Brochure)

1) CDBG-ED Loan Information:

Date of Secondary Loan: _____ Total Loan Amount: \$ _____

Monthly Payment Amount: \$ _____ Total Payments to Date:

\$ _____

Remaining Repayment Amount: \$ _____

Interest Rate: _____ % Loan Term: _____ Years

Remaining Term: _____ Years

Security: _____

2) Current on Loan Payments? Yes___ or No___

3) Jobs: # Created: _____ # Retained: _____

LMI Created: _____ # LMI Retained: _____

Comments:

LOAN PORTFOLIO DATA FORM INSTRUCTIONS

Report as of: (December 31 of each year) Contract # (primary loan contract #)

Grantee: (Grantee and Administering Entity, if applicable)

Business Name: (Name of the business assisted)

Business Location: (Town or city business is located in)

Business Contact: (Name of contact person for the business) Phone (their phone #)

Business Address: (Self-explanatory)

Prepared by: (Name of person & name of organization preparing this form) Phone (their phone #)

1) CDBG-ED Loan Information:

Original Date of Loan: (Contract award date)

Total CDBG Loan Amount: \$ (Original loan amount)

Monthly Payment Amount: \$ (Self-explanatory)

Total Payments to Date: \$ (Total dollar amount of payments made by the business, to date)

(Cumulative Interest Payments: \$ (Total dollar amount of interest payments made by the business, to date).)

(Cumulative Principal Payments: \$ (Total dollar amount of principal payments made by the business, to date).)

Interest Income Earned: \$ (Total amount of interest earned by the locality or administering entity on loan repayments deposited into an interest earning account).

Remaining Repayment Amount: \$ (Self-explanatory)

Interest Rate: (per the loan agreement) %

Loan Term: (per the loan agreement) Years

Remaining Term: (per the loan agreement) Years

Security: (Brief description of loan security)

2) Current on Loan Payments? Yes ☐ or No ☐ (Check "Yes" or "No")

If not current, explain: (If the loan is not current, explain the circumstances, number of delinquent payments, and corrective actions being taken)

3) If Bankruptcy, Total Recapture Amount?: \$ (Self-explanatory)

4) Jobs/Hiring Status: (Provide a brief description of the status of the jobs created or retained)

5) Further Leverage/Spin-off Activities, directly related to this project, if known:
(Provide a brief description of any known Leverage/Spin-off Activities, directly related to this project)

6) Any Secondary Loan Activity to Date? Yes___ or No___
(Check "Yes" if any secondary relending of funds has occurred and fill out information on Secondary Loan Activity – 8.1.3.)

MONTANA DEPARTMENT OF COMMERCE
2002
Business Resources Division

CDBG ADMINISTRATION MANUAL OCT.

Certification

I hereby certify that all program income expenditures generated by Community Development Block Grant (CDBG) activities for the local government of _____, were expended for eligible CDBG activities, according to requirements of Title I of the Housing and Community Development Act of 1974, as required by amendments to the Act dated October, 1992.

Chief Local Government Official

Date

APPENDIX B

City/Town/County of _____

Annual Program Income Report for Housing Receipts, Disbursements and Changes in Fund Balance(s) - All Funds

For the Fiscal year Ended June 30, 20__

	20__ And Prior	20__ And Later	Totals
Receipts:			
Interest	\$ 0	\$ 0	\$ 0
Principal	0		\$ 0
Total Annual Receipts	\$ 0	\$ 0	\$ 0
Disbursements:			
Loans	\$ 0	\$	\$ 0
Grants	0		0
Total Annual Disbursements	\$ 0	\$	\$ 0
Transfers Out:			
Drawdowns	\$ 0	\$	\$ 0
General Government		0	0
Total Annual Transfers	\$ 0	\$ 0	\$ 0
Total Disbursements & Transfers	\$ 0	\$ 0	\$ 0
Excess Receipts over Disb. & Trans. or	\$ 0	\$ 0	\$ 0
Excess Disb. & Trans. over Receipts	()	()	()
Fund Balance(s) Beginning	0		0
Fund Balance(s) Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$0</u>

Certification

I hereby certify that all program income expenditures generated by Community Development Block Grant (CDBG) activities for the local government of _____, were expended for eligible CDBG activities, according to requirements of Title I of the Housing and Community Development Act of 1974, as required by amendments to the Act dated October, 1992.

Chief Local Government Official

Date