



## **UTILITY DEPOSIT LOAN PROGRAM GUIDELINES**

### **Program Objectives**

The City of Flatonia Economic Development Corporation (FEDC) is organized for charitable purposes under section 501(c)(3) of the Internal Revenue Code for the further purposes of benefiting and accomplishing public purposes of, and to act on behalf of, the City by financing any project as described in Chapter 501 and 505 of the Texas Local Government Code (LGC).

In addition, Texas Local Government Code, Chapter 380, provides for the following:

#### **Sec. 380.001. ECONOMIC DEVELOPMENT PROGRAMS.**

(a) The governing body of a municipality may establish and provide for the administration of one or more programs, including programs for making loans and grants of public money and providing personnel and services of the municipality, to promote state or local economic development and to stimulate business and commercial activity in the municipality. For purposes of this subsection, a municipality includes an area that:

- (1) has been annexed by the municipality for limited purposes; or
- (2) is in the extraterritorial jurisdiction of the municipality.

Based on Texas Local Government Code, Chapters 380, 501 and 505, the City of Flatonia hereby adopts and authorizes the FEDC to implement the program outlined herein to assist commercial property owners in their venture. The FEDC wishes to incentivize business development by offering financial loans and/or grants to commercial entrepreneurs.

#### **Utility Deposit Loan Program (UDLP).**

A loan program for the start-up costs of establishing commercial utility accounts.

#### **LGC Section 505.158 Requirements for Type B Corporation Expenditures**

Projects that require an expenditure of more than \$10,000 may not be authorized until the City of Flatonia City Council adopts a resolution authorizing the project and the resolution has at least two separate readings.

## **Utility Deposit Loan Program (UDLP)**

The UDLP is intended to assist new commercial business development in the establishment of their City of Flatonia utility account.

Participants may receive a loan in the amount of two-thirds (2/3) of the total utility deposit required to establish a commercial utility account with the City of Flatonia. The maximum amount of any UDLP loan shall not exceed \$5,000, even if this amount is less than the two-thirds calculation as determined by the city staff. A business owner must contribute at least one-third (1/3) of the total commercial utility deposit to qualify for the loan program. The number of UDLP loans awarded each year will depend on the availability of funds and the approval of City Council to continue the program. The approval of City Council will be handled through the budgeting process. Business owners can apply once annually for establishment of a new single commercial utility account. The account may not be transferred once it is established under a UDLP. Once the UDLP loan is paid in full through monthly installments in the utility bill, the loan is terminated and the entire deposit belongs to the account holder.

Current members of the Flatonia City Council and/or the Flatonia Economic Development Corporation may not apply for a UDLP.

Customers requesting the UDLP loan must not have any past debt on any former utility account of any kind with the city.

### **Conditions of the Loan Program**

The following conditions apply for the UDLP:

- Projects, which are underway or started prior to an executed contract, are NOT eligible to participate in the UDLP Program,
- UDLP is for commercial accounts only, residential applications are NOT eligible for the program,
- The new business owner, who is to establish the utility account, is the only allowed participant in the UDLP.
- The program is for new commercial accounts and may not be used for existing or transferring commercial accounts,
- The business property, whether owned or leased by the applicant, must be current on property taxes as determined through the Fayette County Central Appraisal District by City of Flatonia staff prior to participation in the UDLP,
- The utility deposit is determined by city staff and is based on the sum of three (3) months of an average of the previous 12 months of utility bills incurred at the same property, or a like property if the account is for new construction. Loan amounts shall be capped to \$5,000 per application regardless of the total deposit calculation,
- The 1/3 deposit required by the applicant is to establish an initial account to reduce city risk in the event the business defaults,
- For loan amounts of \$2,400 or less, repayment terms shall be recouped over a 12 month period through the utility bill at 0% interest,

- For loan amounts from \$2,401 to the maximum of \$5,000, repayment may be authorized by the EDC for up to 24 months and payment will automatically be included in the monthly utility bill at 0% interest,
- When a UDLP loan is paid in full, the entire three-month deposit belongs to the registered utility account holder,
- UDLP loans are not eligible for deposit refunds established in city policies until terms of the loan are paid in full,
- If an account goes into default, and/or the business owner closes the commercial account, all accrued deposits shall be used to pay the UDLP loan balance first; remaining balances may then be used to pay any outstanding utility account balances,
- Failure to pay outstanding utility account balances will be referred to the courts system for legal collection.

### **Procedure**

The application process is outlined below:

1. Business Owner only must submit to the City of Flatonia Administration Department in City Hall a completed application for the UDLP.
2. City Staff will determine the three-month deposit and gain City Manager approval prior to the application being forwarded to the FEDC.
3. The FEDC shall determine eligibility, review loan application, payment plan options (if more than 12 months requested), and assess risk before acting on the loan application.
4. The FEDC General Manager will send a letter informing the applicant of application approval/disapproval with the terms of the loan for signature.
5. Business Owner applicant shall appear before the City Secretary for notarized signature acknowledging the terms of the UDLP loan.
6. Once the loan terms are signed, the City Secretary shall forward to the Utility Billing Secretary all necessary information to open the utility account for use.
7. Utility services offered under the UDLP shall not begin until completion of all required documents and a notarized signature on the terms of the loan.
8. Repayment of the loan shall be in 12 equal installments beginning on the first utility bill to the commercial account address on file.
9. If approved by the FEDC, repayment of loan amounts of \$2,401 to \$5,000 shall be in equal installments as set forth in the loan terms, not to exceed 24 months.

### **Application**

Applications shall be accepted anytime during the FEDC fiscal year as funds remain available as determined by the FEDC; however, UDLP applications require FEDC approval (which meets monthly) prior to establishment of the commercial utility account under the terms of the UDLP.

**CITY OF FLATONIA UTILITY DEPOSIT LOAN PROGRAM APPLICATION**

DATE: \_\_\_\_\_

**APPLICANT INFORMATION**

Applicant's Name: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Address of Business: \_\_\_\_\_

Type of business proposed in this application: \_\_\_\_\_

Fayette County CAD ID Number for Business Property: \_\_\_\_\_

Federal Tax ID Number: \_\_\_\_\_

Daytime Phone Number: \_\_\_\_\_ Cell Phone: \_\_\_\_\_

Email Address: \_\_\_\_\_

Does the Applicant applying for the UDP loan own the property where the business is to be located?

\_\_\_\_\_ Yes, the applicant for the commercial utility account under the UDLP owns the property

\_\_\_\_\_ No, the applicant is leasing the property from a separate property owner

Name of Property Owner: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Phone Number(s): \_\_\_\_\_

Email: \_\_\_\_\_

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**Section Below Shall be Determined by City of Flatonia Staff**  
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Date Range of the most recent 12 months of utility service invoices: \_\_\_\_\_

3-month summation of the most recent monthly average: \_\_\_\_\_

Next Scheduled Flatonia Economic Development Corporation Meeting: \_\_\_\_\_

City Manager Signature Certifying Deposit Amount (or alternate amount): \_\_\_\_\_

Alternate Deposit Amount: \_\_\_\_\_

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**Section Below Shall be Coordinated Between Applicant and City of Flatonia Staff**  
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\_\_\_\_\_ Applicant acknowledges the 3-month deposit to open the commercial utility account is:

\$ \_\_\_\_\_

\_\_\_\_\_ Applicant acknowledges their 1/3 portion of the deposit is:

\$ \_\_\_\_\_

\_\_\_\_\_ Applicant acknowledges the loan amount requested (2/3 portion of the deposit) is:

\$ \_\_\_\_\_

\_\_\_\_\_ Applicant acknowledges the loan repayment amount shall be the amount below in 12 monthly installments added to the utility bill beginning on the first billing cycle:

\$ \_\_\_\_\_

**Or**

\_\_\_\_\_ Applicant acknowledges the loan repayment amount requested is to be the amount below calculated by dividing \_\_\_\_ months (not to exceed 24) into the 2/3 portion of the deposit, with \_\_\_\_ monthly installments added to the utility bill beginning on the first billing cycle:

\$ \_\_\_\_\_

The above application, terms and conditions are hereby accepted and agreed to as indicated by our signatures and date(s) below and may be forwarded to the Flatonia Economic Development Corporation for approval. In addition, We, the undersigned jointly and severally agree to hold the City of Flatonia, Texas, its officers, agents and employees; and the Flatonia Economic Development Corporation, its directors and agents harmless from any and all liability that my accrue in the future by reason of any property damage, personal injury, or death that is caused by business activity undertaken with the assistance of the Utility Deposit Loan Program as set forth herein, including all damages, costs, and attorney's fees, that my accrue in the future from any and all claims whatsoever.

\_\_\_\_\_  
Applicant

\_\_\_\_\_  
Joint Applicant (if applicable)

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**CITY OF FLATONIA UTILITY DEPOSIT LOAN PROGRAM  
APPLICATION AGREEMENT CONTRACT**

I have met with the City Manager and I fully understand the procedures established by the City of Flatonia and the Flatonia Economic Development Corporation, and intend to use this loan to establish the required utility deposit for a new commercial utility account.

I have read the Utility Deposit Loan Program guidelines and understand them fully.

I understand that the deposit to open a commercial utility account under the Utility Deposit Loan Program is equal to the total of three months of the monthly average determined over the most recent 12 months of utility bills accrued on the property, and if no records exist, as determined by the most likely comparable properties within the City of Flatonia as determined by city staff.

I understand that I am required to submit 1/3 the amount of the deposit to the City of Flatonia to open a commercial utility account under the Utility Deposit Loan Program, with the remaining 2/3 of the amount loaned to me by the Flatonia Economic Development Corporation. If the 2/3 amount of the total deposit requested in the loan exceeds \$5,000, any amount over the \$5,000 shall be added to my 1/3 amount of the deposit and is required to be paid in full prior to establishing the commercial utility account.

I understand that, if I am loaned money under the Utility Deposit Loan Program, and my commercial account is closed for any reason, all accrued deposit amounts shall be applied to the repayment of any remaining loan balance prior to repayment of any outstanding utility account balances.

I understand that by my signature below, I am agreeing to all terms and conditions of the Utility Deposit Loan Program, and all financial obligations by me to repay the loan are binding.

I understand that the City of Flatonia Staff, approved by the City Manager, determined the amount of the deposit to establish my commercial utility account is \$\_\_\_\_\_.

I understand that my 1/3 portion of the deposit reflected above is \$\_\_\_\_\_ and required to be paid in full by me prior to the utilities being available at my place of business.

I understand that I am agreeing to a loan for 2/3 of the amount of the total deposit required with a loan amount of \$\_\_\_\_\_, to be repaid in automatic installments added to my monthly utility bill beginning on the first billing cycle for the amount of \$\_\_\_\_\_ for a total of \_\_\_\_ months.

I understand that the Utility Deposit Loan Program will be administered until funds are depleted. All decisions of the Flatonia Economic Development Corporation are final.

\_\_\_\_\_  
Signature of Applicant

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Joint Applicant (if applicable)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Flatonia EDC General Manager  
Flatonia Economic Development Corporation

\_\_\_\_\_  
Date

Utility Deposit Loan Program

The above application, terms and conditions are hereby accepted and agreed to as indicated by our signatures and date(s) below. In addition, We, the undersigned jointly and severally agree to hold the City of Flatonia, Texas, its officers, agents and employees; and the Flatonia Economic Development Corporation, its directors and agents harmless from any and all liability that may accrue in the future by reason of any property damage, personal injury, or death that is caused by business activity undertaken with the assistance of the Utility Deposit Loan Program as set forth herein, including all damages, costs, and attorney's fees, that may accrue in the future from any and all claims whatsoever.

\_\_\_\_\_  
Applicant

\_\_\_\_\_  
Joint Applicant (if applicable)

Date: \_\_\_\_\_

Date: \_\_\_\_\_