



AGENDA ITEMS #: 17-105  
COUNCIL MTG OF: August 15, 2017  
FROM: David Caron, Town Administrator  
OFFERED BY: Administration  
PREPARED BY: Administration  
SUBJECT: Derry Revolving Loan Fund

## STAFF REPORT

**PURPOSE:** Recapitalize the Derry Revolving Loan Fund in order to continue to encourage new business start-ups and supporting existing small businesses in Derry.

### TOWN ADMINISTRATOR COMMENTS:

The Council is urged to adopt Resolution #2017-055 after a public hearing to be held on September 5.

### BACKGROUND:

The Town Council previously established a Derry Revolving Loan Fund in the amount of \$250,000, which is managed by the Rockingham Economic Development Corporation (REDC) with guidance from the Derry Revolving Loan Fund Review Committee. The program has met success, whereby as of 6/30/17 only \$47,022 remained available to be loaned to new or existing small businesses. In order to continue to support similar businesses and to make available sufficient capital, the Council is encouraged to recapitalize the fund in the recommended amount of \$250,000.

### DISCUSSION:

As of 6/30/17, there was \$204,182 in outstanding loans to six Derry businesses; these loans carry interest rates of between 6.0 – 7.5%, with loan terms of 5-20 years. The Council's Economic Development Advisory Committee recommends this recapitalization.

The program continues to be managed by REDC with guidance from the Council's Revolving Loan Fund Committee. It is recommended that an additional recapitalization of \$250,000 would be sufficient at this time, and is available from the Town's Unallocated Fund Balance (UFB).

*The Economic Development Advisory Committee met on August 21 and further discussed this matter. The Committee has altered its recommendation to segregate \$100,000 of the \$250,000 for downtown revitalization. Should the Council support Resolution #2017-055, \$150,000 would be available immediately under the existing program, and staff would develop implementation guidelines and rules for disbursing the \$100,000. The Council would need to adopt those regulations at a subsequent meeting.*

**FISCAL IMPACT:** Funding would be taken from the Town's UFB; consistent with the Council's recent amendments to the Town's Fund Balance Policy, sufficient funds are available, based upon the preliminary FY17 year-end financial results, to accomplish the following:

- 1) Maintain a retention target of 9.5%;
- 2) Utilize \$650,000 to stabilize the tax rate for both 2017 and 2018;
- 3) Fund the Town's Capital Improvement Plan in the \$1.5M range for both FY 17 and FY 18;
- 4) Recapitalize the Derry Revolving Loan Fund at \$250,000.

**RECOMMENDED MOTION:**

Please see Resolution #2107-055. *The Resolution has been amended for the Council's consideration to reflect the EDAC's recommendation.*

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