

Developmental Disabilities Resource Board

Capital Funding

Policy Origination: December 16, 2005

Revision Effective: July 1, 2006

Capital items are defined as items that are to be requested for reimbursement one-time. Requests are limited to the actual/direct cost of the item and cannot include allocation of indirect or administrative costs. Expenses incurred prior to DDRB approval will not be funded. Capital items are classified into one of the following 3 categories:

1. Program Support:

An Item must cost at least \$500 and no more than \$100,000. The item must be for direct use of individuals with developmental disabilities or necessary to maintain a direct service program. Items must be necessary to achieve the targeted outcomes of the program.

DDRB Grants: up to 80% of the actual item purchase cost.

Examples:

-therapy equipment	-furnishings
-machinery	-renovations necessary for program
-computer/software direct use for individuals with developmental disabilities	

2. Administration:

A requested item must cost at least \$500 and no more than \$100,000. The Item must improve the overall efficiency or effectiveness of the organization as it relates to the program targets.

DDRB Grants: up to 50% of the actual item purchase cost.

Examples:

-management training	-vehicle match
-accounting software	-consumer target/milestone tracking
-cost containment consultation	
-land, new construction, or building renovations	

3. Equity Investment:

The DDRB offers an Equity Investment Program for the purchase of land, new construction or building renovation. The DDRB investment maximum is \$250,000 or 25% of the project cost, whichever is less, and must be secured with a Bank Letter of Credit (an instrument issued by a bank to an agency by which the bank substitutes its own credit for that of the agency), with the DDRB as beneficiary. The agreement between the agency and the bank must provide for direct notice to the DDRB of any determination by the bank not to renew the letter of credit. Such notice must be given to the DDRB at least thirty (30) days prior to expiration of the letter of credit.

The DDRB will annually establish priorities and funds available for equity investment requests. Agencies must submit a letter of intent to request DDRB Equity Investment funds. The letter of intent must include a description of the investment, a statement of need, fit with the agency/program targets and the DDRB strategic plan, total cost, other funding partners and projected DDRB funds needed. The DDRB Finance Committee will review the letters of intent. If priorities are met and funds are available they will recommend a hearing with the full board.

A hearing will be held at a regularly scheduled Board meeting. Two weeks prior to the hearing, the agency must submit a business plan with 3-5 year financial projections (income and expenses) for operations and other relevant information not originally included in the letter of intent. (DDRB approval of equity investment funding does not guarantee DDRB operational funding in future years.)

Upon Board approval, the DDRB would designate funds for the project, pending bank approval of a Letter of Credit. Upon bank issuance of the Letter of Credit, the DDRB will release the designated funds, secured by the Letter of Credit. Conditions of the equity investment and for drawing under the Letter of Credit will include specific project targets for the investment. The DDRB can ONLY draw upon the Letter of Credit if the agency fails to perform stated criteria related to the project. Upon completion of the project targets, the Letter of Credit shall be released. Project targets will be time specific and may include, but not be limited to, construction milestones, capacity goals, and numbers of individuals served.

As a condition of the investment, the agency agrees that the investment shall be repaid to the DDRB under the following conditions and terms. The rights of DDRB shall be secured by a Deed of Trust. The terms and conditions of the Deed of Trust are incorporated herein by reference, and a default in the terms of the Deed of Trust shall constitute a default hereunder. DDRB shall have the following rights relating to the real estate, which shall be protected and secured by the Deed of Trust, as follows:

- (1) Upon the cessation of use of the property for purposes to benefit St. Charles County citizens with developmental disabilities as authorized by Section 205.968-205.972 R.S.Mo. or its amendments or similar statute, the DDRB shall have the option to purchase the property at fair market value, reduced by the sum of the amount of the investment plus the Fair Market Value Adjustment*, or the agency will pay to the DDRB the sum of the amount of the investment plus the Fair Market Value Adjustment*.
- (2) If the agency elects to sell, lease or otherwise transfer the premises, the DDRB shall have the right of first refusal to purchase the property for the same sale price as any contract to buy the premises from a third party, reduced by the sum of the amount of the investment plus Fair Market Value Adjustment*, or the agency will pay to the DDRB the sum of the amount of the investment, plus the Fair Market Value Adjustment* at DDRB's sole discretion.
- (3) If the agency elects to return the DDRB's investment, the DDRB shall accept the agency's payment to DDRB of the sum of the amount of the investment, plus the Fair Market Value Adjustment* in full satisfaction of the agency obligations under this agreement and the Second Deed of Trust.
- (4) In the event of any material default of this agreement or Deed of Trust, which effectively may result in transfer of title or the change of use of the premises, the DDRB shall have the option to purchase as described herein, and further shall be entitled to take such actions at law and in equity to enforce the aforesaid right as they may have available to them.

In the event none of the foregoing events occur, neither the principal amount of the investment, nor any fair market value adjustment, shall be repaid.

*Fair Market Value Adjustment for purposes of this agreement, shall be defined as the principle amount of the investment multiplied by a percentage proportionate to the increase or decrease in the fair market value of the real estate and improvements from the date of the investment until a triggering event, including cessation of its use for the benefit of St. Charles County citizens with developmental disabilities, a sale of the property, or default under the Deed of Trust. The percentage shall be calculated as the quotient where the numerator is the difference between the fair market value at the time of investment and the fair market value at the time of the triggering event, and the denominator is the fair market value at the time of investment. The adjustment is then determined by multiplying the principle amount of the investment by the change in fair market value percentage. A Missouri-certified appraiser, agreed upon by the parties, shall determine the fair market value at the time of the triggering event. If the parties cannot agree upon an appraiser, they shall each select one appraiser, and then the two appraisers shall select a third appraiser whose appraisal shall determine the fair market value. The parties stipulate and agree that at the time of funding the investment the fair market value is estimated at _____ including the cost of the real estate plus the cost of the proposed improvements. This contract will be amended with the final cost figures upon project completion. In the event the agency undertakes substantial capital improvements not funded by the DDRB, the agency may seek an adjustment of the base fair market value upon application to the DDRB. Each application shall be accompanied by a "to be completed" appraisal that determines the fair market value before and after the capital improvements. The appraisal cost will be shared equally between the agency and the DDRB and will be performed by a Missouri-certified appraiser agreed upon by the parties.

Guidelines:

Approval of expenditures for capital items is dependent upon availability of funds and fit with the DDRB strategic plan and Board designated priorities for the funding cycle. These funds are available to any agency providing supports to St. Charles County residents with developmental disabilities. Agencies are encouraged to explore other funding sources prior to making a request to the DDRB. The Agency match may include items/services donated when the value is established and documented. Discounted rates do not qualify toward the matching percentage. For equipment that will be shared with customers who live outside of the St. Charles County area or shared with individuals without disabilities, the DDRB will adjust the base cost of the expenditure to reflect the percentage of St. Charles County citizens with developmental disabilities who will be supported. For program items, funding will not exceed 80% of the adjusted cost. For administrative items, funding will not exceed 50% of the adjusted cost. For equity Investments, funding will not exceed \$250,000 or 25% of the adjusted cost, whichever is less.

Shifting Funds

1. Agencies may shift funds within a category (program, administration) and within the original intent of the application, informing the Project Manager.
2. Shifting of funds between categories will require DDRB Board approval.
3. Shifting funds outside the original intent of the application will only be considered for emergency requests and will require DDRB Board approval.
4. Any change in equity investment will require DDRB Board approval.

