

REQUEST FOR PROPOSALS

To Qualify and Select a Fund Manager for a State Small Business Credit Initiative (SSBCI) Program *Originally issued 1/7/2022, updated on 1/13/2022*

Amended Response Due Date – February 8, 2022

1. Introduction:

The Fond du Lac Reservation Business Committee is seeking competitive proposals through solicitation of bids from qualified and interested financial institutions to manage the Fond du Lac Band's Tribal State Small Business Credit Initiative (SSBCI) Program as approved by the FDL RBC on December 8, 2021. During this process, proposals will be solicited from an adequate number of qualified sources to permit reasonable competition.

2. Background:

The Fond du Lac Reservation is located eighteen miles southwest of the city of Duluth, with its headquarters in Cloquet, Minn. The Reservation is located in both St. Louis and Carlton Counties. The Treaty of 1854 established the Reservation, comprised of 101,400 acres. The Reservation Business Committee is the governing body of the Fond du Lac Band and is comprised of five popularly elected officials, three of whom are representatives of the Reservation's three districts, with two at-large positions. The Reservation Business Committee directs the administrative programs and Reservation owned business operations.

The Fond du Lac Reservation has experienced progressive growth over the past twenty years in practically every area typically managed by local units of government. Fond du Lac employs approximately 2,000 persons in its service programs and various entities, making the Reservation the largest employer in the Cloquet area. Over 40 programs are administered by the Reservation offering a variety of services including, pre-school, elementary and secondary school, medical and dental services, and a variety of social services to name a few. In addition, Fond du Lac has utilized its innate governmental authority to implement natural resource management, environmental protection, conservation enforcement, incorporation of Tribal businesses, issuance of motor vehicle licenses and operates its own police force.

The Band has completed strategic planning processes for the Fond du Lac Reservation and which took place 2011 & 2019. The current Strategic Plan priorities including building community vitality, supporting individual self-reliance and structuring sustainable reservation development have been projected for 2019-2025. In addition to the Strategic Planning process other planning has taken place and the Reservation has implemented an Integrated Resource and Management Plan, Air Quality Standards, Water Quality Standards, Land Use Plan, Zoning Ordinance, Energy Plan, Timber Management Plan, Transportation plans, Agricultural Division Strategic Plan and a

Community Economic Development Strategy (CEDS) plan which was updated in 2020 for 2021-2026. The Comprehensive Plan was also updated in 2021 and identifies community goals and strategies combined with the additional planning activities to guide program development and delivery for the next two decades at FDL. More information and documents can be found online via the FDL Reservation web site <https://www.fdlrez.com> and on the Planning Division links <https://www.fdlrez.com/planning/documents.htm>

The Fond du Lac Band of Lake Superior Chippewa recognizes an immense barrier when it comes to members and descendants of federally-recognized Tribes accessing capital and funding to begin or grow their businesses. Without a history of generational “wealth” due to colonialization, unknowns and mistrust interfere with borrowing money. Our community has experienced barriers such as low credit scores, no prior banking history and limited cash on hand for down payments. It is our hope that this program could bridge some of those gaps, create trust and open up opportunities for our community members to truly propel their businesses and ideas forward.

“Underserved” individuals in our program will include members of Federally Recognized Tribes and Descendants of Federally Recognized Tribes with a priority for members of the Fond du Lac Band of Lake Superior Chippewa.

3. Financial Services:

The services needed of a qualified financial institution will include, assisting the Band to complete all materials necessary to submit an application to the Department of Commerce, due on **May 11, 2022**. The fund manager will need to assess the difficulties Fond du Lac Band small business entrepreneurs have in accessing credit, identify best practices for SSBCI programs and lending to Native Americans, and use that information to design, create, and implement, in collaboration with Fond du Lac tribal staff and leadership, a lending program to improve the ability of qualified small businesses to obtain the access to capital they need.

Fond du Lac intends to award a contract to the financial institution whose expertise and financial plan most closely meets the requirements defined in this RFP and incorporates applicable federal law and the SSBCI Guidelines. The financial institution’s demonstrated ability to provide a clear plan and approach towards the successful implementation of these services, as well as past results implementing a similar program, are critical factors in the selection process.

The total potential SSBCI funding for Fond du Lac Band of Lake Superior Chippewa is estimated at \$876,329.00 with the following breakdown:

- Main Capital Allocation (Section 3003(b)): \$546,969.00
- Very Small Business Allocation (Section 3003(f)): \$62,859.00
- SEDI Allocation (Section 3003(d)): \$173,805.00
- Initial Eligible Amount of \$800 million of incentive funding (Section 3003(e)): \$92,696.00

States and tribes have until September 30, 2030, to distribute all of their SSBCI money to entrepreneurs and small businesses (though the funding is distributed in thirds and states must allocate 80% of their first two distributions within three years of receiving them). This longer time horizon distinguishes SSBCI from other sources of state and local funding in American Rescue Plan Act, which must be spent within two years.

The Fond du Lac Band of Lake Superior Chippewa's goal is to improve and expand Fond du Lac tribal members small business's ability to obtain access to capital for approved business projects. This project will be funded through a Federal SSBCI funding agreement beginning in fiscal year 2022.

SCOPE OF WORK

OVERVIEW

The Fond du Lac Band and tribal partners are seeking proposals from highly qualified firms to provide expert guidance in connection with the design, creation, implementation, operation, and management of a new SSBCI program. The following is a non-exclusive list of project deliverables:

1. Assessing the specific capital needs of small businesses in the Fond du Lac Band service area of Carlton and St. Louis Counties in Minnesota; including specific gaps in or obstacles to such capital by small businesses generally, subsets of small businesses or specific sectors of small businesses;
2. Collaborating with tribal leadership and Fond du Lac Planning Division staff to develop the materials needed for the complete submission of the Department of Commerce SSBCI Program Application, due **May 11, 2022**, and the application for technical assistance, due **June 11, 2022**;
3. Designing and developing programs to increase liquidity in capital markets for small and minority-owned businesses within the allowable parameters of the SSBCI program regulations. Such programs could include (i) funding loan loss reserves, (ii) creating tribe-sponsored direct loan, loan guarantee and collateral support programs (including governance thereof), (iii) establishing third party loan programs, (iv) enhancing and leveraging existing SBA programs;
4. Planning and implementation to (i) build the capacity required to successfully implement and manage these new SSBCI funds, (ii) identify and select the type of strategic partners and expertise that are needed, (iii) develop proper program structures and strategic plans that will meet all requirements as set forth in the SSBCI Guidance (10:1 and 1:1 financing requirements, Lender or Investor Capital at Risk, size and purpose restrictions, etc.) and (iv) build robust project management and systems.
5. Designing and implementing technical assistance programs for small businesses;

6. Designing robust compliance and reporting systems, including regular updates to the Reservation Business Committee on progress towards lending goals.

FUND MANAGER RESPONSIBILITIES

The Fund Manager's principal responsibilities will be as listed below. The list is provided for guidance to RFP respondents but does not limit the responsibilities that may be included in the final, negotiated contract.

1. **Fund Formation:** Establish the legal and organizational structure of the Fund, including formation of the investment committee, establishment of the legal structure, institution of accounting processes, and reporting processes which satisfy the SSBCI Guidelines and other applicable law.
2. **Formation of Loan Programs:** The Fond du Lac Band intends to develop three distinct commercial loan programs, which will need to be developed as part of this initiative: a loan guarantee program, a collateral support program and a loan participation program. The Fund Manager will need to create policies, procedures, selection criteria, application forms and information packets for each commercial loan program.
3. **Strategic Plan and Budget:** Develop the Fund's strategic plan and budget, including guidelines for investment selection, lending, community engagement, structure, and supervision.
4. **Relationships and Publicity:** Establish relationships with a wide range of educational, research, economic development, venture development, and investment organizations, to ensure that investment candidates are aware of the Fund and that it can attract a wide range of co-investors. Additionally, the Fund Manager will need to develop and execute an outreach to potential borrowers, with intentional efforts made to reach SEDI and Very Small Businesses as defined by U.S. Treasury SSBCI guidelines.
5. **Investment Evaluation and Selection:** Establish and manage the evaluation and selection process for investment candidates.
6. **Transactions:** Structure and negotiate investment and loan transactions that comply with the SSBCI Guidelines, including legal and reporting documentation. Achieve targets related to the "expended for" requirement in the SSBCI Guidelines, of the Fond du Lac Band's Tribal SSBCI Program in order to obtain the entire allocation within the SSBCI Program.
7. **Oversight:** Establish practices for oversight of portfolio companies, including as appropriate, board membership and advisory roles, and compliance with federal reporting.

8. **Conflicts of Interest:** Establish practices based on SSBCI Guidelines to uncover and avoid potential conflicts of interest.
9. **Reporting:** Provide quarterly and annual reports on Fund activities in accordance with SSBCI Guidelines. Reports shall include, investment performance, leverage, and results, including employment. These reports shall be made available to the Fond du Lac Reservation Business Committee.
10. **Compliance:** Establish reporting mechanisms, audits, and other internal controls and compliance activities to enable compliance with the U.S. Treasury SSBCI program.

All of the above responsibilities must be executed in accordance with the U.S. Treasury requirements and enabling legislation.

QUALIFICATIONS AND EVALUATION CRITERIA

In reviewing responses to this RFP, the Fond du Lac Band of Lake Superior Chippewa will evaluate responses using the following metrics to determine whether a potential Fund Manager is qualified to administer the Fond du Lac Tribal SSBCI Program:

1. **Anticipated Benefits to the Fond du Lac Band.** Demonstration of capacity to develop a program that benefits the Fond du Lac Band, businesses owned by Fond du Lac, Band members and small businesses located within the Fond du Lac Reservation.
2. **Experience and Capacity.** Demonstration of sufficient organizational capacity to successfully execute the required responsibilities within required timelines; the qualifications and experience of senior management in credit-underwriting and risk management, operating public credit and/or capital access programs. Demonstration of the adoption of industry best practices.
3. **Capacity to Manage Increases.** Demonstration of adequate financial resources to support staffing increases and infrastructure improvements needed to undertake increased transactions and to implement a robust communications and outreach effort. Demonstration of operational capacity, including systems, policies and procedures in place to accommodate a significantly increased transaction volume.
4. **Accounting and Administrative Controls.** Effective internal accounting and administrative control systems must be in place, and these systems must be sufficient to provide reasonable assurance that the funds of the Band's SSBCI program would be safeguarded against waste, fraud, loss unauthorized use and misappropriation. Demonstration that the Fund Manager conducts and has the capacity to conduct periodic internal audits. Copies of at least two annual independent audit reports should be included as part of the response to the RFP.

5. **Program Design and Implementation.** The Fund Manager must demonstrate that it has adopted and used established business models and strategies for managing the risk associated with making, insuring or guaranteeing small business strategies and models. Soundness of program design as demonstrated by the absence of material weakness or deficiency findings by external auditors in the last 7 years of independent audits.

PROJECT TIMELINE

All interested and qualified entities are encouraged to submit a proposal by the deadline of 10:00 AM February 8, 2022. Sealed proposals should be sent via U.S. Mail to: Mr. Jason Hollinday, Director of Planning, Fond du Lac Planning Division, 1720 Big Lake Road, Cloquet, MN 55720; 218-878-2625; or hand-delivered/sent via private carrier. Contact Jason with any questions: jasonhollinday@fdlrez.com

In order to participate in the Department of Treasury SSBCI Program, the Fond du Lac Band and its contracted entity must submit a complete application through the Treasury Portal by **May 11, 2022**. In order to meet this deadline, the contractor will need to collaborate with the Band to provide information, develop the underserved narrative, provide leverage data, and develop a narrative on compliance and oversight describing reporting mechanisms, audits or other internal controls and other required information. An additional program deadline for technical support funding will be due on March 31, 2022, requiring a similar level of collaboration between the contracted entity and the Fond du Lac Band.

The Fond du Lac Band expects the Fund Manager to begin accepting loan applications for the Fond du Lac Band's SSBCI Program by July 31, 2022.

Within contract negotiations, target dates will be set for the 80% expending, transfer or obligation of initial and secondary disbursements whereby loans and/or investments have been made to eligible businesses in order for the Fond du Lac Band SSBCI Program to become eligible for additional SSBCI program funds from the Department of Treasury.

BUDGET

The Fond du Lac Band of Lake Superior Chippewa has not allocated any tribal funds for its SSBCI Program. Funding to support the work of the Fund Manager will come through a negotiated allocation of the Band's SSBCI administrative costs and funding made available for technical assistance. The enabling legislation has set forth a cap on administrative costs, which cannot exceed 5% of the initial tranche of funds, and 3% of the second and third tranche of funds. Additional funding will be available through the Department of Treasury to support technical assistance programming.

Within the formation of the loan programs, the Fund Manager and the Fond du Lac Band may also consider other mechanisms to recoup administrative costs of the Band and the Fund Manager, including transaction fees for loans or other allowable fees.

SELECTION PROCESS

The contract will be awarded through the competitive proposals process described in Section 406 of the Fond du Lac Budgets & Procurement Ordinance, available at [07-95BudgetandProcurementOrdinance2021.3.24.pdf \(fdlrez.com\)](#). The Qualifications and Evaluation Criteria section of this RFP lists the qualifications necessary to be eligible as a Fund Manager for the Fond du Lac Band's Tribal SSBCI Program, with these qualifications used as evaluation criteria under the competitive proposals and negotiation process. Staff will be directly contacting an adequate number of potentially qualified financial institutions, documenting each communication, and providing a memorandum of all solicitations to the Reservation Business Committee and Accounting Department as part of the procurement process.

Bid opening will be scheduled at 11:30 AM on **February 8, 2022**, all unsuccessful offerors will be notified within ten (10) calendar days following the rejection, or acceptance, of one or more, of the proposals received.

Upon the receipt of one or more proposals, Jason Holliday, Director of Planning of the Fond du Lac Band of Lake Superior Chippewa Planning Division and Jamie Adams, Economic Development Planner, will convene a committee to review all application materials and objectively evaluate the applications using the qualifications and evaluation criteria, and SSBCI Guidelines to select the offeror whose proposal will be most advantageous to the Fond du Lac Band. The final decision will require approval by the Fond du Lac Reservation Business Committee.

Again, please note the proposal due date has been amended to February 8, 2022.