



Monterey County

Item No.

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Legistar File Number: A 22-466

August 30, 2022

Introduced: 8/18/2022

Current Status: Agenda Ready

Version: 1

Matter Type: BoS Agreement

Approve Standard Agreement with the California Coastal Rural Development Corporation (CCRDC) to manage the day-to-day operation of the County's Small Business Revolving Loan Fund (SBRLF); and

Authorize the County Contracts/Purchasing Officer or designee to execute an Agreement with the California Coastal Rural Development Corporation (CCRDC) for a five (5) year term, from September 1, 2022 through June 30, 2027, in an amount not to exceed \$725,000 during the term of the agreement.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

Approve Standard Agreement with the California Coastal Rural Development Corporation (CCRDC) to manage the day-to-day operation of the County's Small Business Revolving Loan Fund (SBRLF); and

Authorize the County Contracts/Purchasing Officer or designee to execute an Agreement with the California Coastal Rural Development Corporation (CCRDC) for a five (5) year term, from September 1, 2022 through June 30, 2027, in an amount not to exceed \$725,000 during the term of the agreement.

SUMMARY/DISCUSSION:

The County of Monterey operates the Small Business Revolving Loan Fund (SBRLF). The SBRLF assist businesses throughout the County. The recommended action will authorize California Coastal Development Corporation to continue as the Program Administrator providing day-to-day management of the SBRLF.

The County funded the SBRLF in October 1990 by capitalizing the loan pool with an investment by the County of \$383,301 and U.S. Economic Development Administration grants totaling \$1,533,205. The original capital pool has revolved 5.5 times since 1990 and resulted in loans totaling nearly \$10.6 million. The County's investment has leveraged public (Small Business Administration) and private investment of more than \$19 million in these businesses and led to the creation or retention of almost 1,200 full-time equivalent jobs in the County of Monterey.

Historically, the County has used an outside Program Administrator (PA) to handle the day-to-day operations of the program. The use of an outside PA allows the County to leverage the PA's existing staff to provide the specialized services necessary to successfully implement the SBRLF. These services include marketing the program, working with potential borrowers to complete the application process, underwrite the loan request, find loans, and provide ongoing servicing once a loan has been funded. A significant part of the PA's duties includes working with applicants to evaluate the minimum financial requirements to make a particular project successful and to develop realistic financial projects so that the project can support the debt service.

On April 8, 2020, the Board of Supervisors, recognizing the need for additional financial assistance for small businesses, approved amendments to the existing Small Business Revolving Loan Fund Administrative Plan to make it more responsive to the anticipated needs of the business community. On May 8, 2020, U.S. Economic Development Administration invited the County of Monterey to apply for additional federal funding to recapitalize the SBRLF and make additional amendments to its Administrative Plan that will enable the program to be more responsive to local small business financing requirements during the current public health crisis.

On July 23, 2020, the EDA notified the County that it had been awarded a non-competitive CARES Act grant to recapitalize the County's Small Business Revolving Loan Fund. The County received \$1,600,000 to recapitalize the Small Business Revolving Loan Fund and an additional \$160,000 to administer the Small Business Revolving Loan Fund. The grant does not require a local match, unless the cost to manage the grant exceeds the \$160,000. All grant funds must have been expended by July 23, 2022. The County currently has five (5) loans approved for \$975,000 and is working with California Coastal Rural Development Corporation to actively market the additional funds available.

On September 15, 2020, the Board of Supervisors took the following actions: 1) Authorized the Housing Program manager to sign the financial assistance award grant; 2) Approved changes to the SBRLF Administrative Manual to make the program more responsive to the needs of the business community; 3) Certified that the SBRLF is being operated consistent with the EDA approved Administrative Plan; and 4) Authorized the Auditor-Controller to increase revenue and appropriations in the Economic Development Fund.

On March 22, 2022, the Board of Supervisors took the following actions: 1) Authorized the County Administrative Officer or its designee to sign any documents and certifications that may be required to comply with the CARES Act revolving loan fund grant terms and conditions set by the U.S. Department of Commerce, Economic Development Administration, subject to review by the Office of the County Counsel as to form; 2) Certified that the Small Business Revolving Loan Fund is being operated consistent with the EDA approved administrative plan; 3) Authorized the Auditor-Controller to amend the Fiscal Year 2021-22 Adopted Budget to increase appropriations and estimated revenues by \$1,760,000 for the Revolving Loan Program, 011-1050-CAO040-8516, to recognize the investment by the U.S. Department of Commerce, Economic Development Administration (EDA) in the County's Small Business Revolving Loan Fund (SBRLF); and 4) Authorized the Auditor-Controller's Office to incorporate approved budget modifications to the FY 2021-22 Budget, and the County Administrative Office to reflect these approved changes in the FY 2022-23 Adopted Budget.

In June 2022, the County issued a Request for Proposals (RFP) to seek competitive bidding for administration of the SBRLF as required by the EDA.

On July 12, 2022, the Board of Supervisors approved retroactively a renewal to Amendment #2 to the Agreement with California Coastal Rural Development Corporation (CCRDC) to continue managing the day-to-day operation of the County's Small Business Revolving Loan Fund (SBRLF) on an interim basis, extending the term of the Agreement on a month-to-month basis for the period of July 1, 2017, through August 31, 2022, for a total not to exceed \$2,535,000.00.

On July 13, 2022, Economic Development received two (2) proposals in response to RFP #10863 from 4 Front Partners and California Coastal Rural Development Corporation (CCRDC).

On August 2, 2022, CCRDC was notified of their winning proposal.

CCRDC has been satisfactorily fulfilling the duties of the SBRLF Program Administrator since 2000. The recommended agreement is consistent with the prior agreements with CCRDC for these services.

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The proposed agreement also recommends reducing the bond amount requested in RFP #10863 from Two Million Six Hundred Thousand Dollars (\$2,600,00.00) to Two Hundred Thousand Dollars (\$200,000.00). The higher bond amount reflected the original grant capitalization level and not the reduced capital level approved by EDA in August 2016. The lower bond requirement also reflects the reduced level of cash on hand because the SBRLF has entered the revolving phase and there are fewer idle funds which may be misappropriated due to employee dishonesty. The proposed agreement will allow the County to continue to work with California Coastal Rural Development Corporation to ensure that the Small Business Revolving Loan Fund is realigned to be most beneficial to the small business community for the period of five (5) years, for the term of September 1, 2022 through June 30, 2027, in the amount not to exceed \$725,000 during the term of the agreement.

OTHER AGENCY INVOLVEMENT:

The Office of County Counsel has approved the Agreement as to form.

FINANCING:

Fund associated with the approval of this Agreement. The SBRLF is self-supporting with administrative costs being paid from interest earned on outstanding principal and fees collected. Because income generated by the SBRLF cannot be used for any purpose besides continuing/supporting the program, these funds have been and continue to be used as the source of compensation for this CCRDC Agreement.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The proposed agreement for the Small Business Revolving Loan Fund will provide on-going services for small businesses and supports the Board’s Economic Development strategic initiatives by providing a local source of capital to finance business start-up and expansion that conventional financial resources will not support.

Mark a check to the related Board of Supervisors Strategic Initiatives

- Economic Development
 - Administration
 - Health & Human Services
 - Infrastructure
 - Public Safety

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- Attachments:
- Board Report
 - Standard Agreement
 - Exhibit A - Scope of Services Payment Provisions
 - Exhibit B - RFP #10863 SBRLF Program Administrator