



# Monterey County

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## Board Report

Legistar File Number: 16-177

March 01, 2016

Introduced: 2/4/2016

Current Status: Agenda Ready

Version: 1

Matter Type: General Agenda Item

- a. Approve and authorize an increase in appropriations of \$291,817.90 for the FY 2015-16 Economic Development Department's Revolving Loan Fund, Fund 011 Appropriations Unit DEO020, Unit 8044, financed by an operating transfer of \$291,817.90 from the Unassigned Fund Balance, for the purpose of enhancing small business lending (requires 4/5ths vote);
- b. Authorize the Auditor-Controller to amend the FY 2015-16 Adopted Budget for Fund 011, Appropriations Unit DEO020, Unit 8044 by increasing appropriations in the amount of \$291,817.90, using Unassigned Fund Balance as the financing source, for the purpose of enhancing small business lending (requires 4/5ths vote); and,
- c. Authorize the Director of the Economic Development Department to send a letter to the U.S. Department of Commerce, Economic Development Administration regarding the administration of small business lending funds.

### RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve and authorize an increase in appropriations of \$291,817.90 for the FY 2015-16 Economic Development Department's Revolving Loan Fund, Fund 011 Appropriations Unit DEO020, Unit 8044, financed by an operating transfer of \$291,817.90 from the Unassigned Fund Balance, for the purpose of enhancing small business lending (requires 4/5ths vote);
- b. Authorize the Auditor-Controller to amend the FY 2015-16 Adopted Budget for Fund 011, Appropriations Unit DEO020, Unit 8044 by increasing appropriations in the amount of \$291,817.90, using Unassigned Fund Balance as the financing source, for the purpose of enhancing small business lending (requires 4/5ths vote); and,
- c. Authorize the Director of the Economic Development Department to send a letter to the U.S. Department of Commerce, Economic Development Administration regarding the administration of small business lending funds.

### SUMMARY:

The County of Monterey has operated a Small Business Revolving Loan Fund (SBRLF) since 1989. The SBRLF was capitalized using a variety of Federal, State and local funds. Through review of SBRLF operations and financial records, staff identified issues with SBRLF administration, most of which have been addressed. In order to complete resolution of all outstanding issues, staff is recommending that \$291,817.90 be transferred from unassigned fund balance to Fund 011 (Economic Development). This will be used to increase the amount of funds available for business lending as needed to comply with SBRLF requirements, and will eliminate conflicts in different program requirements so that SBRLF funds are more readily available for loans to small businesses.

facilities.

It is anticipated that only approximately \$141,197.53 is required to “buy out” the sum of \$470,476.25 in CDBG funds in the SBRLF. This occurs for two reasons: EDA has indicated that it is supportive of removal of CDBG funds from the SBRLF. To facilitate the County’s ability to implement this change, EDA has indicated that it will lower the County’s required SBRLF contribution of local match funds from the current rate of approximately 38% to a more favorable rate of 20%. The county also has local funds from other, non-CDBG sources that it can apply to the CDBG funds buy-out. Based on the assumption that EDA, in fact, formally adjusts the County’s required local match downward, a deposit of approximately \$141,197.53 will enable the County to remove CDBG funds from the SBRLF. As stated, this will enable use of CDBG funds for other beneficial uses; it will also remove CDBG program restrictions that make SBRLF loans untenable, or completely unavailable, to potential borrowers, and will thus enhance the County’s ability to make small business loans and grow the local economy.

Should EDA fail to lower the County’s local funds match requirement, or should it lower it less than EDA has indicated, more funds may be required to achieve these beneficial results.


**OTHER AGENCY INVOLVEMENT:**

The Board of Supervisors’ Budget Committee has reviewed and endorsed this recommendation County Counsel has reviewed this report and the letter from the County to EDA.

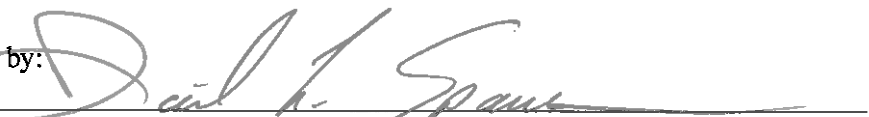
**FINANCING:**

This report would increase appropriations in the Economic Development Department’s Revolving Loan Fund 011, Appropriation Unit DEO020, Unit 8044 by \$291,817.90. Funding this increase will reduce the general fund’s Unassigned Fund Balance by \$291,817.90.

Prepared by:

  
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Darby Marshall, RHO Project Analyst II, Ext. 5391

Approved by:

  
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David L. Spaur, CECD, EDPD, Economic Development Director, Ext. 5387

Attachments:

Letter regarding SBRLF administration to EDA  
(Attachments are on file with the Clerk of the Board)