



## Legislation Details (With Board Report)

**File #:** 17-0793      **Name:**

**Type:** General Agenda Item      **Status:** Passed

**File created:** 7/17/2017      **In control:** Board of Supervisors

**On agenda:** 8/29/2017      **Final action:** 8/29/2017

**Title:** a. 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), retroactive to July 1, 2017;  
b. Authorize the Director of Economic Development Department to execute an Agreement with the California Coastal Rural Development Corporation (CCRDC) for the period of five (5) years, retroactive to July 1, 2017 through June 30, 2022, in the amount not to exceed \$150,000 annually or \$750,000 during the term of the agreement.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. Board Report, 2. Attachment A - Agreement More Than 100,000, 3. Exhibit A - Scope of Services Payment Provisions, 4. Exhibit B Attachment 1 - RFP 10598 \_SBRLF Program Administrator, 5. Exhibit C - SBRLF Administrative Manual, 6. Exhibit D - EDA RLF Standard Terms and Conditions May 2013, 7. Exhibit E - CCS Executed Agreement, 8. Completed Board Order

Date	Ver.	Action By	Action	Result
8/29/2017	1	Board of Supervisors	approved	

a. 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), retroactive to July 1, 2017;  
b. Authorize the Director of Economic Development Department to execute an Agreement with the California Coastal Rural Development Corporation (CCRDC) for the period of five (5) years, retroactive to July 1, 2017 through June 30, 2022, in the amount not to exceed \$150,000 annually or \$750,000 during the term of the agreement.

**RECOMMENDATION:**

It is recommended that the Board of Supervisors:

- a. 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), retroactive to July 1, 2017;
- b. Authorize the Director of Economic Development Department to execute an Agreement with the California Coastal Rural Development Corporation (CCRDC) for the period of five (5) years, retroactive to July 1, 2017 through June 30, 2022, in the amount not to exceed \$150, 000 annually or \$750,000 during the term of the agreement.

**SUMMARY:**

The recommended action will authorize California Coastal Rural Development Corporation to continue as the Program Administrator providing day-to-day management of the County’s Small Business Revolving Loan Fund (SBRLF) retroactive to July 1, 2017 when the last agreement lapsed.

**DISCUSSION:**

The County, through various Program Administrators, has operated the SBRLF since 1990. The SBRLF is designed to bolster job creation and retention by providing capital to small and start-up businesses that either cannot get financing or financing on terms that make their project feasible. Since the time the County funded its first loan, the SBRLF has provided more than \$9.1 million dollars in financing to more than 125 small businesses and supported the creation or retention of more than 1,000 jobs. County support through the SBRLF has leveraged an additional \$24 million dollars in private and U.S. Small Business Administration investment in these businesses. Even though the SBRLF is the lender of last resort and typically the most junior lien holder and therefore making the most risky loans, the County has only written off 8% of all dollars loaned as bad debt.

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, fund loans and provide ongoing servicing once a loan has been funded. A significant part of the PA's duties include working with applicants to evaluate the minimum financial requirements to make a particular project successful and to develop realistic financial projects to make the project can support the debt service. In some cases, the PA may even have to tell an applicant that their business idea is not ready for financing. In this situation, the entrepreneur is encouraged to contact the Small Business Development Center to continue developing their business concept and plan.

As required by EDA, the County issued a Request for Proposals (RFP) in March 2017 to identify a new program administrator for the SBRLF. The County did not receive any responses to the RFP and the recommendation is to enter into a sole source agreement with California Coastal Rural Development Corporation, Inc. (CCRDC). The delay between the lapse of the previous agreement and this agreement was due to internal miscommunication about the need to obtain approval to sole source with CCRDC in the absence of any responsive proposals. CCRDC has been satisfactorily fulfilling the duties of the SBRLF Program Administrator since 2000. The recommended agreement is consistent with prior agreements with CCRDC for these services. Also, consistent with prior agreements, Section 7.01 Termination of the Standard County Agreement is deleted and replaced in its entirety so that either party may terminate the agreement on 30-day's notice. The proposed agreement also recommends reducing the bond amount requested in RFP #10598 from Two Million Six Hundred Thousand Dollars (\$2,600,000.00) 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.

#### **OTHER AGENCY INVOLVEMENT:**

County Counsel has approved the Agreement as to form. The Auditor-Controller's office has approved the Agreement as to payment provisions.

#### **FINANCING:**

There are no additional impacts to the General Fund associated with the approval of this Contract. The SBRLF is self-supporting with administrative costs being paid from interest earned on outstanding principal and fees collected. Loan repayments are deposited in and expended from Economic Development's Appropriations Unit DEO020, Fund 011. 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.

There are ongoing costs associated with implementing the SBRLF in addition to the contract costs. These include: complying with grant agency reporting requirements; reviewing loan proposals and serving on the loan committee as needed; working more directly with delinquent borrowers; and business outreach. Fulfilling the County's obligations under the grant terms is estimated to cost approximately \$40,000 annually. The staff cost for these activities is budgeted in Economic Development Appropriations Unit DEO001, Fund 001.

**BOARD OF SUPERVISORS STRATEGIC INITIATIVES:**

The Small Business Revolving Loan Fund supports the Board's Economic Development Initiative 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

Prepared by: \_\_\_\_\_  
Darby Marshall, RHO Project Analyst II, Ext. 5391

Approved by: \_\_\_\_\_  
David L. Spaur, CECD, EDFP, Economic Development Director, Ext. 5387

**Attachments:**

- Attachment A - Agreement More Than \$100,000
  - Exhibit A - Scope of Services Payment Provisions
  - Exhibit B Attachment 1 - RFP 10598 \_SBRLF Program Administrator
  - Exhibit C - SBRLF Administrative Manual
  - Exhibit D - EDA RLF Standard Terms and Conditions May 2013
  - Exhibit E - CCS Executed Agreement
- (Attachments are on file with the Clerk of the Board)