



## **Budget, Finance & Economic Development Committee**

March 16, 2021

### **Partial Summary and Motions**

Committee chair, Council Member Amanda Bledsoe, called the meeting to order at 1:01 p.m. Committee members Vice Mayor Steve Kay and Council Members Richard Moloney, Chuck Ellinger, James Brown, Susan Lamb, Preston Worley, Fred Brown, and Kathy Plomin were present. Council Member Josh McCurn was absent.

Bledsoe read the following statement: "Due to the COVID-19 pandemic and State of Emergency, this meeting is being held via live video teleconference pursuant to 2020 Senate Bill 150, and in accordance with KRS 61.826, because it is not feasible to offer a primary physical location for the meeting."

#### **V. Proposals for use of Coronavirus Relief Funds and Fund Balance:**

##### **a. Small Business Economic Stimulus Program**

Christina Baker, Legislative Aide for Council District 10, presented a small business stimulus package for 2021. The first Small Business Economic Stimulus Program distributed \$2.5M July through September of last year. She showed the breakdown of employment sectors that highlights which sectors have been most affected by the pandemic. The proposal is for \$5M for a small business economic stimulus forgivable loan program, designed to address the needs of the economy right now. Baker said the total budget could be split across two waves of funding from the new federal relief bill. She explained that using a forgivable loan, rather than a reimbursement grant, helps target those in need while also emphasizing the economic development aspect of the program, which focuses on employment and payroll.

Baker reviewed major components of the program, which are mostly the same as the first program, including a maximum award of \$25,000. Commerce Lexington's Access Loan Committee will review the applications. The program will include a goal to disperse 50 percent of funds to minority and women-owned businesses. Businesses will be asked to submit a proposal outlining how the funds will maintain or increase payroll and or employment, which will establish the benchmark for loan forgiveness. Commerce Lexington will receive the applications directly to help eliminate some confusion that folks experienced in the first program. Loan forgiveness would be based on meeting employment/payroll goals by January 1, 2022. The proposal includes an increased administrative fee of 7.5 percent for Commerce Lexington to administer the program.

Worley talked about different scenarios in which these funds could benefit businesses and advocated that all of the support the program offers is good for the city, by way of increased revenue and individual spending. Plomin and Worley discussed using a sliding scale for the amount of funds that are forgiven if the business's goals are not attained, as they do not want the program to be punitive. The loan program speaks to economic development as opposed to just keeping the doors open. Plomin cautioned against an "all or nothing" mentality for loan forgiveness because it could take a business down.

Ellinger and Worley discussed the idea of gaining general agreement of the program on April 6, 2021, and potentially begin receiving applications in about one month. Federal funding is expected in the next couple of months so Worley suggested using budget stabilization funds for the first wave of funding with the promise to reimburse budget stabilization once federal funds are received. The Access Loan

Committee will use a first come first serve process; applications would be received during a specific window and then the reviewing would begin. Ellinger confirmed Commerce Lexington will administer the program with an increased fee, which is based on the time needed to execute the 2020 program. Worley emphasized Commerce Lexington's commitment to the program; they funded the last application that came in 2020 with their administrative fee when funds had run out.

Kay expressed concerns about the unknowns of the program such as modifying first come first serve and criteria such as balancing proposals that maintain jobs versus those increase jobs, as well as recapturing funds. He would like to know what expenses were incurred last time because he doesn't understand the increased fee, which would total \$350,000 of the \$5M program. Bledsoe compared the first program, which had multiple people and entities answering the phone, and said the increased fee would allow them to hire additional staff, be the main contact, and shepherd the administration of the program. She talked about the idea of moving forward with the first wave and holding the second wave for another date.

Lamb would like to see the resolution for the program, as well as how much funds are in budget stabilization currently. Tyrone Tyra, Commerce Lexington's Senior Vice President, explained how the 2020 program took 100 percent of his time, 12-15 hours per day processing forms and calling businesses. Under the new program, they would also assist with loan clawbacks if goals aren't met. F. Brown is uneasy about expanding the program to \$5M and questioned how many businesses participated last time with how many "we're still looking at."

Moloney asked how much federal relief funds the city anticipates and how \$5M was determined. Worley explained it would double the program but it is based on the need, plus the city could get significantly more relief funds this time. Moloney advocated for the increased administrative fee, comparing it to 10 percent fees tied to other federal relief grants that the city manages, a standard with federal funds.

Motion by J. Brown to move this item forward to Work Session on April 6, 2021; seconded by Ellinger. The motion passed without dissent.

Bledsoe said a resolution will be prepared for review at Work Session, on April 6, 2021.

Materials for the meeting:

<https://lexington.legistar.com/MeetingDetail.aspx?ID=845895&GUID=727ED466-62E7-4989-809B-89F34BF31D4D&Options=info|&Search>

Video recording of the meeting: [http://lfucg.granicus.com/MediaPlayer.php?view\\_id=4&clip\\_id=5318](http://lfucg.granicus.com/MediaPlayer.php?view_id=4&clip_id=5318)

HBA 3/18/21

**NOTE: a full summary of the March 16, 2021 committee meeting will be shared on June 29, 2020**