

Council Questions

ES&R Working Group Document, Version 3

Last updated 4/7/2020, Alex Crowley

Piemont-Smith

- 1. Are non-franchised businesses owned by corporations from outside Monroe County eligible? I imagine most of these would not fit the "less than 250 employees" threshold, but I was still wondering.**

Yes, they would be eligible if they met requirements, including size, impact, and being considered tourism-related or within the BUEA (assuming BUEA funding becomes available). But if the RRF Advisory Commission deems the company to have adequate corporate support to weather the crisis without RRF loans, they may be deprioritized relative to others.

- 2. Will the RRF loans require a personal guarantee from the borrower? At the top of page 11 it says this is required, but then lower down on that same page, under RRF Loan Terms, it says "loans may require personal guarantee."**

The personal guarantee determination will be the judgment of the RRF Advisory Commission. We believe that in most cases it will be required, as per the recommendation of local lenders. The ES&R Working Group will clarify the language in the next draft of the document.

- 3. It's not clear to me which businesses will be eligible for grants vs. loans. Are they all loans, but some may be forgiven? I only see mention of loans to non-profits being eligible for forgiveness.**

There are several programs being administered at once, based on sources of funding. At this time, the way a nonprofit can get money would be either from 1) BUEA grants or 2) loans from the F&B fund, which may be forgiven. The ES&R working group is currently examining criteria for forgiveness, which will be discussed with the RRF Advisory Commission and other partners.

- 4. I'm concerned about language under RRF Loan Terms that says "Borrowers must be able to demonstrate an ability to pay back the loan within the term of the loan." We don't know how long the health crisis will last, so businesses don't know when they can reopen. Is the RRF program going to allow them some underlying assumptions so they can "demonstrate ability to pay back" the loan? Likewise, I am concerned with the "6 month revenue projections" required under RRF Application Process. How can a business project such revenue if they don't know whether they will have to remain closed for 6 months?**

We need to remember our program is a short-term strategy, pending more substantial federal money. In fact, one of the requirements of the program is that applicants demonstrate they are pursuing EIDL and/or PPP as appropriate. RRF is not substantial enough to carry a business alone. The repayment on F&B within a 3-year timeframe is to ensure that the F&B fund is reasonably replenished in order to stimulate long-term economic recovery.

Regarding 6-month projections: they and RRF Advisors can model different scenarios based on assumptions related to reopening. Funding should be paired with non-funding support, such as

technical assistance to help companies adapt their business models and stay functional at this time. Ongoing technical support is available through local partners like the SBDC.

- 5. At the top of page 13, it says "loans will be prioritized to businesses that can expand employment." I think this unfairly de-prioritizes small "mom and pop" businesses that cannot expand. I'm thinking of small shops where there are only 2-3 employees.**

This is an issue of prioritization not exclusion. If we have to choose between two businesses that are equal in all other respects but the employment growth component, the RRFAC needs to consider long-term employment prospects.

- 6. What is the rationale for asking business owners about their personal finances in addition to their business finances?**

Some businesses don't have business tax returns and a review of personal finances will also help to determine whether applicants are in a position to offer a personal guarantee.

Smith

- 1. Say more about "leveraging" the funds(pg. 4). What will the city be able to do? Or is it the businesses responsibility?**

The ES&R Working Group will seek potential outside funding to augment this initial funding. The primary motivation for having an interest rate, even if it's nominal, is to help attract outside capital.

- 2. Please comment on "requires additional steps before funding."**

Following Council's vote, the Controller will submit to the Department of Local Government Finance for review and approval.

- 3. Is there an estimate on the "BUEA funds could become available quickly" (pg.8)?**

If approved, BUEA funds could be available upon their vote to approve, which is currently scheduled for April 8.

- 4. What is the vision for the role of the City Council in the nomination and/or approval of the appointments of the Rapid Response Fund Advisory Commission(pg.9)?**

Currently the vision is for the ES&R Working Group to nominate and the Mayor to create the RRF Advisory Commission and appoint its members via executive order. Thus, the Council would not have a direct role in that process.

- 5. How will the businesses be "validated" as iterated in the funding guidelines (p.10)?**

The RRF Advisory Commission process would seek written confirmation from the business up front and then the City would audit that after the fact.

- 6. Will the revenue/cash flow data be back to prior to the effects of the virus restrictions?**

YTD Financial reports will include data preceding and during the virus restrictions.

7. Does the geographic parameter in the "Minimum Requirements" (pg.11) match those who have contributed to the city F&B tax?

No, it expands that to include other organizations because 1) we are not restricting the target organizations only to those that have passed through the F&B tax; 2) we are using the same parameters to administer any approved BUEA funds as well.

8. Will there be an origination fee to the financial institutions helping? What is that fee?

At this time, there is no discussion of an origination fee.

Volan

— On page 10, the recommended funding guidelines for use by the RRF AC include applicants needing to be current on all tax liabilities. I have a concern about funding businesses which have not been in compliance with state and /or local rules for alcohol permits. Does this report represent the final word on the RRF AC's criteria, or do you intend to finalize the rules at some date after the appropriation ordinance passes?

These guidelines are not yet finalized and will need to be in the next 48 hours. We have asked City Legal to help us do that with help from outside counsel. Once resolved, we will update the policies section in the next draft of the ES&R Working Group document.

— On page 27, it asserts, according to the 2018 Monroe County Tourism Economic Impact Report, that food and beverage spending was \$145 million in 2018. But in 2019 the collected 1% Food and Beverage Tax amounted to \$3.5 million, meaning a sector of \$350 million in size. How is this discrepancy possible, and to what extent should I be concerned about it in your opinion?

The term "food & beverage" in this case is a subset of the total remitter group of the Food & Beverage Tax, which includes sellers of prepared foods that would not be considered in the Visit Bloomington report (e.g., Kroger).

The end of page 27 appears to be cut off after "2) an inability to make payroll"

Good catch. We'll clean that up in the next version.

Is there any more detail on relief for artists and arts-specific organizations? Page 28 gives scant guidance. Will there be some person tasked with directly assisting artists and arts orgs?

Sean Starowitz, Asst. Director for the Arts in ESD, has been interfacing with arts organizations over the past several weeks and sending out information related to arts support. He will continue to do that. He is also a member of the ES&R working group.

I'd also like to know generally how often, where and when the RRF AC will meet, and to what extent its meetings will be public. I understand that sensitive information will be exchanged between applicants

and the AC which require discretion, but I believe that there should be one or more external monitors or are not members of the AC, such as a Councilmember. I welcome your thoughts.

The exact timing of the RRF Advisory Commission is to be determined. It is not envisioned at this time as a public meeting nor that the City (Administration or Council) would monitor those deliberations. The ES&R working group anticipates that the City's role will be to review the recommendations of the RRF Advisory Commission once completed and to approve those according to the guidelines provided.