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Sedgwick County

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Legislation Details (With Text)

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Title: Close Out of Micro-Loan Local Revolving Loan Fund Grant Agreement between the Kansas Department of Commerce and Sedgwick County.

Sponsors:

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Attachments: 1. 112818 Microloan Closeout Letter

Date	Ver.	Action By	Action	Result
11/28/2018	1	Board of Sedgwick County Commissioners	Approved As Amended	Pass

Close Out of Micro-Loan Local Revolving Loan Fund Grant Agreement between the Kansas Department of Commerce and Sedgwick County.

The Kansas Department of Commerce awarded Sedgwick County a CDBG-Microloan Grant in the amount of \$50,000.00 in December 1998 with an additional \$50,000.00 in July 1999, for a total of \$100,000.00 to be used as a revolving loan fund for small business loans in Sedgwick County outside of the Wichita city limits. Loans were made to businesses with five or fewer employees, including the owner. Requirements for the loan included that 51% of the employees must be Low or Moderate Income (LMI). The minimum interest rate was 4% and the maximum loan amount was \$15,000.00 per loan. The grant has paid an administrative fee of 7% of amounts repaid from outstanding loans per year. South Central Kansas Economic Development District (SCKEDD) has administered the program from the start and has been paid this fee twice a year.

Over the past 20 years, Sedgwick County has issued 28 loans totaling \$327,800.00 to a variety of business located across the County. The County has collected principal of \$235,648.00 and written off balances totaling \$38,474.00. There are no longer any active accounts. The last active loan was issued on September 13, 2013, and it has recently closed through bankruptcy from which the County has received several payments bringing the unpaid balance on that loan to \$1,877.00. The existing "microloan fund" bank balance is \$122,641.94.

Due to the inactivity of issuing new loans for five years, it is an opportune time for the County to review options for the program. County financial management staff has reviewed several options including the following:

1. Close the program, return the fund balance to the State, and encourage businesses to utilize other small business loan programs that are available for businesses needing financing including (SCKEDD Microloan Program, SCKEDD RLF, Network Kansas, and Small Business Administration Loans). SCKEDD has several newer options for small business that are less

restrictive than the CDBG Microloan program.

2. Engage city officials in eligible communities to market the program.
3. County could more actively market the program.
4. Engage banks to market programs to those businesses that they can't assist.

After reviewing the options, County financial management staff recommends the first option of closing the program and returning funds to the State. However, since this had not been anticipated prior to the 2018 budget development process, this action will require a budget adjustment to increase budget authority in Fund Center #47001-271 by \$82,901.47, as the current available budget is \$39,740.47.

Recommended Action: Approve the closing of the grant agreement, approve the budget increase, and authorize the Chairman to sign a closeout letter to the State along with the repayment.

Alternatives: Keep the Micro-Loan Revolving Loan Fund program.

Financial Considerations: Increase budget authority in 2018 in fund center 47001-271 in the amount of \$82,901.47. The total amount of \$122,641.94 will be used to refund the State of Kansas the remaining program funds.

Legal Considerations: The grant was approved by Commissioners on January 27, 1999. The State of Kansas does not require a public hearing prior to closing out this program, but instead requires written notification along with repayment of any remaining balance.

Policy Considerations: Similar Small Business Loan programs are available to the community through SCKEDD.