

May 19, 2020

Board of Supervisors  
Kern County Administrative Center  
1115 Truxtun Avenue  
Bakersfield, CA 93301

**PROPOSED AUTHORIZATION FOR CHIEF ADMINISTRATIVE OFFICER OR DESIGNEE  
TO ENTER INTO VARIOUS AGREEMENTS TO IMPLEMENT THE KERN SMALL  
BUSINESS RELIEF PROGRAM**

**Fiscal Impact: \$25 million; Federal; Budgeted; Discretionary**

The purpose of this item is to request your Board's authorization for the Chief Administrative Officer or designee to enter into agreements with financial institutions, borrowers, and escrow companies to implement the Kern Small Business Relief Program (KSBRP).

On May 5, 2020 your Board approved the initial utilization plan for the Coronavirus Relief Fund made available through the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The plan included \$25 million for local small business support for those businesses impacted by COVID-19.

County staff has been working in conjunction with a team of four local business lenders including Valley Republic Bank, Mission Bank, Valley Strong Federal Credit Union, and AltaOne Federal Credit Union to develop the KSBRP. This program is designed to provide support to struggling local small businesses affected by COVID-19. These four lenders will play a key role in delivering the KSBRP to potential applicants and administering the program. Their partnership with the County on this program is essential to our ability to deliver the KSBRP countywide. In addition, this local lending group along with the CSU Bakersfield Small Business Development Corporation has provided valuable input into the design of the KSBRP to meet the needs of the local small business community.

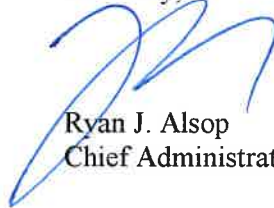
In general, the KSBRP is designed to provide a forgivable loan in an amount up to 4 months of average payroll or \$75,000 to Kern County's local small businesses having less than 50 employees and \$5 million in annual revenues. Businesses of this size are essential components of our local economy and, for various reasons, many were unable to get emergency funding through the Federal Payroll Protection Program. The KSBRP loan proceeds must be spent within 16 weeks and used at least 50% for payroll, up to 10% for general working capital, and up to 40% for rent, utilities, and mortgage interest. Unlike the Federal Payroll Protection Program, in an effort to provide needed flexibility to allow businesses to flex their staffing based on business needs and demands, the KSBRP does not include requirements to maintain previous levels of employment or employee compensation levels. This added flexibility and timeline should aid businesses during the various phases of economic reopening. Although the KSBRP Program Guidelines are still being finalized and subject to change they are currently drafted as, and intend to substantially conform to those included on Attachment A.

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In order to implement the program on May 26, 2020, the County has to prepare and enter into agreements with local lenders for the program administration, loan agreements with the small businesses, and banking and escrow agreements in order to fund the loan program. County Counsel has been diligently working on the form of agreements; however, due to your Board's meeting schedule those agreements will not be available until later in the week; therefore, it is necessary to authorize the Chief Administrative Officer or designee to sign those agreements, subject to County Counsel review and approval.

Therefore, **IT IS RECOMMENDED** that your Board authorize the Chief Administrative Officer or designee to enter and sign the necessary agreements, subject to review and approval by County Counsel to implement the Kern Small Business Relief Program.

Sincerely,



Ryan J. Alsop  
Chief Administrative Officer

RJ/JZ BUDFIS KSBRRP

cc: Auditor-Controller  
County Counsel

## Draft - Kern Small Business Relief Program (KSBRP) Guidelines

### 1. Program Eligibility Guidelines:

- a. Applicant must be one of the following:
  - i. A business concern (corporation, partnership, LLC, sole proprietor, etc.)
  - ii. A tax-exempt veterans organization described in section 501(c)(19) of the Internal Revenue Code.
  - iii. A tax-exempt nonprofit organization described in section 501(c)(3) or 501(c)(6)
- b. Applicant must be in business prior to March 1, 2020.
- c. Applicant must be independently owned and operated.
- d. Applicant must be directly impacted by COVID-19 and utilize loan proceeds to mitigate these impacts.
- e. Applicant must be a **Small Business** satisfying all of the following criteria:
  - i. Have 50 or fewer concurrent employees, average over 12 months prior to March 1, 2020.
  - ii. Have \$5,000,000 or less in annual revenues in calendar year 2019.
- f. Applicant must be a **Local Business** as defined using the definition of a "local vendor" in Section 2.38.131 of the Kern County Ordinance defining such businesses as follows:
  - i. Has had a fixed office or distribution point located in and having a street address within the county for at least the past six (6) months;
  - ii. Holds any required business license by the county or a city within the county;
  - iii. Employs at least one (1) full-time or two (2) part-time employees whose primary residence is located within Kern County, or if the business has no employees, is at least fifty percent (50%) owned by one (1) or more persons whose primary residence(s) is located within Kern County; and
  - iv. Will credit all sales taxes generated pursuant to the KSBRP award amount to its business location in Kern County.

### 2. Program Award and Funding Guidelines:

- a. Except as included below, all applications from eligible applicants will be processed by the lenders in the order received.
- b. Except as indicated below, and based on available program funds, approved applications will receive program funding by the County in the order in which their applications are approved regardless of which lender approved the application.
- c. First preference will be given to support severely impacted business sectors such as restaurants, salons, gyms, hotels, tourism, and other non-essential industries as identified by the Governor's executive order. Applications from these sectors will be prioritized and expedited.
- d. Second preference will be given to businesses that have not already been awarded funding through the Payroll Protection Program or other COVID-19 related business support from the state or other local governmental entities.
- e. For the first two week of this program applications will only be open to local restaurants, as this sector has been impacted especially hard and is in need of expedited access to these program funds.
- f. Additional efforts will be made to market this program specifically to the rural communities throughout Kern County.

3. Forgivable Loan Guidelines:

- a. Maximum Amount of Forgivable Loan:
  - i. Up to 4 months of average monthly payroll costs with a maximum of \$75,000 per loan. For purposes of this calculation the applicant may use either of the following:
    1. Average monthly payroll for calendar year 2019, or that portion of the year the business was open if it was not open the entire calendar year.
    2. Average monthly payroll from January 1, 2020 to February 29, 2020.
  - ii. Eligible payroll costs for this calculation include employee compensation, paid time off, allowance for dismissal or separation, group health care benefits, retirement benefits, and payroll taxes.
  - iii. For the purpose of this calculation there is a \$100,000 annualized salary cap for each employee and sole proprietor.
- b. Loan proceeds must be used as follows; at least 50% to cover payroll and payroll related costs (group health care benefits, retirement benefits, payroll taxes), up to 10% for general working capital, and up to 40% for rent, mortgage interest, and utilities.
- c. Loan proceeds must be spent within 16 weeks of being received or December 30, 2020, whichever is first.
- d. Loan will be issued with a 0.0% interest rate.
- e. All principal and interest payments on the loan will be deferred until it is either forgiven or due and payable pursuant to these guidelines.
- f. As a condition of forgiveness, the borrower must, within 18 weeks of the date of the loan, receive business consulting from an SBA Technical Assistance Resource Partner such as the CSU Bakersfield Small Business Development Corporation ( "CSU Bakersfield SBDC") which offers this service at no cost.
- g. Loan Forgiveness/Repayment:
  - i. Loan proceeds spent within the allowable timeframe and for the allowable uses, along with all accrued interest on those proceeds, will be forgiven upon receipt of acceptable documentation of compliance with these forgiveness requirements.
  - ii. Documentation of compliance with forgiveness requirements is due from the borrower within 18 weeks of loan issuance.
  - iii. Loan amounts not forgiven will become due and payable in full 20 weeks from the loan date with a 4.0% interest rate from the date of loan issuance.

The KSBRP Guidelines contained herein are subject to modification by the County of Kern.