

File No. 200297

Committee Item No. 2

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date April 1, 2020

Board of Supervisors Meeting

Date _____

Cmte Board

- Motion
- Resolution
- Ordinance
- Legislative Digest
- Budget and Legislative Analyst Report
- Youth Commission Report
- Introduction Form
- Department/Agency Cover Letter and/or Report
- MOU
- Grant Information Form
- Grant Budget
- Subcontract Budget
- Contract/Agreement
- Form 126 – Ethics Commission
- Award Letter
- Application
- Public Correspondence

OTHER (Use back side if additional space is needed)

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Completed by: Linda Wong Date March 27, 2020

Completed by: Linda Wong Date _____

1 [Appropriation - Short-Term Loan and Interest Proceeds - \$20,000,000 - General Reserve
2 \$600,000 - Treasurer and Tax Collector’s Office - Individual Loans for Small Businesses
3 Impacted by SARS-COV-2 - Appropriation - In the Event of Loan Default - \$20,000,000]

4 **Ordinance appropriating \$20,000,000 of short-term loan proceeds and \$600,000 of the**
5 **General Reserve to the Office of the Treasurer’s and Tax Collector to administer**
6 **individual loans for small businesses impacted by SARS-COV-2 , appropriating**
7 **\$20,000,000 for loan default, and authorizing the Controller to reduce the loan default**
8 **appropriation to the amount defaulted by June 30, 2021.**

9
10 Note: **Unchanged Code text and uncodified text** are in plain Arial font.
11 **Additions to Codes** are in *single-underline italics Times New Roman font*.
12 **Deletions to Codes** are in ~~*italics Times New Roman font*~~.
13 **Board amendment additions** are in Arial font.
14 **Board amendment deletions** are in ~~Arial font~~.
15 **Asterisks (* * *)** indicate the omission of unchanged Code
16 subsections or parts of tables.

17 Be it ordained by the People of the City and County of San Francisco:

18 Section 1. The sources of funding outlined below are herein appropriated in the Treasurer Tax
19 Collector’s Office for Fiscal Year 2019-2020.

20
21 **Sources**
22
23
24
25

Fund /	Project & Activity /	Account	Description	Amount
Department ID	Authority			
XXXXXXX/	XXXXXXX/	XXXXXXX/	Short-term loan and	\$20,000,0000
Treasurer Tax	XXXXXXX	XXXXXXX	interest proceeds	
Collector, XXXXXXXX				
10020 / 230018	10023237 – 0001 /	598040	Designated For	\$600,000
GF Continuing	17064	Designated	General Reserve	
Authority Ctrl / GEN	General Reserve /	For General		
General City	General Reserve	Reserve		
Total Sources				\$20,600,000

Section 2. The uses of funding outlined below are herein appropriated in the Treasurer's Office to provide short term loans to small businesses impacted by SARS-COV-2.

Uses

Fund/	Project &	Account	Description	Amount
Department ID	Activity /			
	Authority			
XXXXXXX/	XXXXXXX/	XXXXXXX/	Individual Loans	\$20,000,000
Treasurer Tax	XXXXXXX	XXXXXXX		
Collector, XXXXXXXX				

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Fund/ Department ID	Project & Activity / Authority	Account	Description	Amount
XXXXXXX/	XXXXXXX/	XXXXXXX/	Interest and Other	\$300,000
XXXXXXX	XXXXXXX	XXXXXXX	Loan Servicing Expenses	
XXXXXXX/	XXXXXXX/	XXXXXXX/	Administrative	\$300,000
XXXXXXX	XXXXXXX	XXXXXXX	Expenses	
Total Uses				\$20,600,000

Section 3. Proceeds collected from the repayment of individual loans are hereby appropriated for the repayment of the short-term line of credit.


Section 4. In addition to the appropriations above, \$20,000,000 is hereby appropriated from the General Reserve for the purpose of repaying these short-term loans in the event of loan default. The Controller may reduce the \$20,000,000 appropriation by June 30, 2021, given actual experience of default in the loan program.

1 Section 5. The Controller is authorized to record transfers between funds and adjust the
2 accounting treatment of sources and uses appropriated in this Ordinance as necessary to
3 conform with Generally Accepted Accounting Principles and other laws.
4
5

6 APPROVED AS TO FORM:
7 DENNIS J. HERRERA, City Attorney

FUNDS AVAILABLE:
BEN ROSENFELD, Controller

8
9 By: 
10 JON GIVNER
Deputy City Attorney

By: 
BEN ROSENFELD
Controller

<p>Items 1 and 2 Files 20-0296 and 20-0297 <i>(Continued from March 25, 2020)</i></p>	<p>Department: Treasurer-Tax Collector</p>
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EXECUTIVE SUMMARY

Legislative Objectives

- File 20-0296: The proposed ordinance would authorize the Treasurer to either (1) secure a short-term line of credit in an amount not to exceed \$20,000,000, or (2) partner with financial institutions to provide short-term loans to small businesses in San Francisco.
- File 20-0297: The proposed ordinance would appropriate \$20 million in short-term loan proceeds and \$600,000 from the General Reserve, totaling \$20.6 million. Section 4 of the proposed ordinance provides for an additional appropriation of \$20 million from the General Reserve to provide for loan repayment in the event that the small business borrowers default on loan repayments. Section 4 further authorizes the Controller to reduce the \$20 million General Reserve appropriation by June 30, 2021 based on the actual default experience.

Key Points

- File 20-0296 provides criteria for the proposed short-term loan program for which the City would (a) either borrow money or facilitate borrowing and (b) lend or facilitate lending to San Francisco small businesses that meet all three of the following requirements: (1) have a business registration issued by the Treasurer-Tax Collector, (2) no more than \$1.1 million in annual gross receipts, and (3) the business is subject to a business license fee billed on the Unified License bill by the Treasurer-Tax Collector and has paid its annual business license fees in full. Amendments to this item pending before the Board of Supervisors would increase the gross receipts cap to \$2.5 million.
- The loans would be unsecured and provided on a one-time and an interest-free basis at maximum of \$15,000 per business and a term no longer than one year. The loans may be used to fund up to three months fixed operating costs. If borrowers default on loan repayment, the City would have to repay the lending institution that provided the funds for the program.

Fiscal Impact

- File 20-0297 would appropriate \$20 million in loan proceeds for the proposed loan program. In addition, File 20-0297 would appropriate \$20.6 million from the General Reserve to (a) pay for an estimated \$300,000 in borrowing costs, (b) pay for an estimated \$300,000 in Treasurer-Tax Collector administrative costs, which may include addition staff, and (c) to fund a reserve account of \$20 million to repay the City’s short-term debt related to this program if borrowers default.

Policy Consideration

- Administrative Code Section 10.60 (b) provides for a General Reserve equal to 2.75 percent of budgeted General Fund revenues in FY 2019-20. However, the Board of Supervisors may suspend this provision following a declaration of an emergency due to a natural disaster. As of June 30, 2019, the General Reserve fund balance was \$130.9 million.

Recommendation

- Approval of the proposed ordinances is a policy matter for the Board of Supervisors.

MANDATE STATEMENT

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

City Charter Section 9.113(e) states that the Board of Supervisors may borrow money by short-term debt instruments in the manner provided by state law or City ordinance.

BACKGROUND

The Corona Virus 2019 Disease (COVID-19) has prompted public authorities around the world to impose restrictions on travel and group gatherings to prevent the spread of the disease. On March 16, 2020, and in conjunction with five Bay Area County Health Officers, the San Francisco Health Officer issued Order C19-07, generally requiring, among other things, residents to remain at home. While necessary to maintain public health, these restrictions have imposed economic costs to businesses.

DETAILS OF PROPOSED LEGISLATION

File 20-0296: The proposed ordinance would authorize the Treasurer to either (1) secure a short-term line of credit in an amount not to exceed \$20,000,000 to fund a short-term loan program for San Francisco businesses, or (2) pursue opportunities with one or more financial institutions to provide short-term loans to small businesses in San Francisco. The details of the loan program are described below.

File 20-0297: The proposed ordinance would appropriate \$20 million in short-term loan proceeds and \$600,000 from the General Reserve, totaling \$20.6 million. Section 4 of the proposed ordinance provides for an additional appropriation of \$20 million from the General Reserve to provide for loan repayment in the event that the small business borrowers default on loan repayments. Section 4 further authorizes the Controller to reduce the \$20 million General Reserve appropriation by June 30, 2021 based on the actual default experience.

Short-term Loan Program for Small Businesses

File 20-0296 provides criteria for the proposed short-term loan program for which the City would (a) either borrow money or facilitate borrowing and (b) lend or facilitate lending to San Francisco small businesses that meet all three of the following requirements:

1. The business has a business registration issued by the Treasurer-Tax Collector, as required by Article 12 of the Business and Tax Regulations Code
2. The business has no more than \$1.1 million in gross receipts (Amendments to this item pending before the Board of Supervisors would increase the gross receipts cap to \$2.5 million.)
3. The business has paid its annual business license fees, as required by Section 76.1 of Article 2 of the Business and Tax Regulations Code

File 20-0296 requires that the loans be unsecured and provided on a one-time and an interest-free basis. Each loan has a maximum amount of \$15,000 per business and a term no longer than one year. The loans may be used to fund up to three months of “rent, mortgage, or other fixed operating costs.”

If borrowers default on their loans, the City would have to repay the lending institution that provided the funds for the program.

According to Ms. Tajel Shah, Chief Assistant Treasurer at the Treasurer-Tax Collector, the Department is still in the process of identifying a lender and developing an application process for potential borrowers.

FISCAL IMPACT

Table 1 below shows the sources and uses of the proposed loan program.

Table 1: Sources and Uses of Proposed Appropriation for the Loan Program

<u>Sources</u>	<u>Amount</u>
Loan Proceeds	\$20,000,000
General Reserve	20,600,000
Total Sources	\$40,600,000

<u>Uses</u>	<u>Amount</u>
Loan Program	\$20,000,000
Reserve for Borrower Default	20,000,000
Borrowing Costs	300,000
Administrative Costs	300,000
Total Uses	\$40,600,000

Source: File 20-0297

As shown above, the File 20-0297 would appropriate \$20 million in loan proceeds for the proposed loan program. In addition, File 20-0297 would appropriate \$20.6 million from the General Reserve to (a) pay for an estimated \$300,000 in borrowing costs, (b) pay for an estimated \$300,000 in Treasurer-Tax Collector administrative costs, which may include addition staff, and (c) to fund a reserve account of \$20 million to repay the City’s short-term debt related to this program if borrowers default.

Interest Payments

Under the proposed ordinance, eligible small businesses would be issued loans of up to \$15,000 over one year at no interest. According to Ms. Shah, because the short-term line of credit to be obtained by the City under the proposed ordinance (File 20-0296) would accrue interest and have other borrowing costs, the City would be liable for interest payments and borrowing costs to be paid from the General Reserve appropriation.

General Reserve Appropriation

Under File 20-0297, the Controller is authorized, without further Board of Supervisors' approval, to reduce the \$20 million reserve account by June 30, 2021, given the actual defaults in the program through that time.

POLICY CONSIDERATION

Administrative Code Section 10.60 (b) provides for a General Reserve equal to 2.75 percent of budgeted General Fund revenues in FY 2019-20. If the General Reserve is drawn down, the Administrative Code provides for appropriation of sufficient funds in the Annual Appropriation Ordinance to restore the required funding level. However, the Board of Supervisors may suspend this provision following a declaration of an emergency due to a natural disaster.

As of June 30, 2019, the General Reserve fund balance was \$130.9 million.

RECOMMENDATION

Approval of the proposed ordinances is a policy matter for the Board of Supervisors.

Items 10 and 11 Files 20-0296 and 20-0297	Department: Treasurer-Tax Collector
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> • <u>File 20-0296</u>: The proposed ordinance would authorize the Treasurer to either (1) secure a short-term line of credit in an amount not to exceed \$20,000,000, or (2) partner with financial institutions to provide short-term loans to small businesses in San Francisco. • <u>File 20-0297</u>: The proposed ordinance would appropriate \$20 million in short-term loan proceeds and \$600,000 from the General Reserve, totaling \$20.6 million. Section 4 of the proposed ordinance provides for an additional appropriation of \$20 million from the General Reserve to provide for loan repayment in the event that the small business borrowers default on loan repayments. Section 4 further authorizes the Controller to reduce the \$20 million General Reserve appropriation by June 30, 2021 based on the actual default experience. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> • File 20-0296 provides criteria for the proposed short-term loan program for which the City would (a) either borrow money or facilitate borrowing and (b) lend or facilitate lending to San Francisco small businesses that meet all three of the following requirements: (1) have a business registration issued by the Treasurer-Tax Collector, (2) no more than \$1.1 million in annual gross receipts, and (3) the business is subject to a business license fee billed on the Unified License bill by the Treasurer-Tax Collector and has paid its annual business license fees in full. Amendments to this item pending before the Board of Supervisors would increase the gross receipts cap to \$2.5 million. • The loans would be unsecured and provided on a one-time and an interest-free basis at maximum of \$15,000 per business and a term no longer than one year. The loans may be used to fund up to three months fixed operating costs. If borrowers default on loan repayment, the City would have to repay the lending institution that provided the funds for the program. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> • File 20-0297 would appropriate \$20 million in loan proceeds for the proposed loan program. In addition, File 20-0297 would appropriate \$20.6 million from the General Reserve to (a) pay for an estimated \$300,000 in borrowing costs, (b) pay for an estimated \$300,000 in Treasurer-Tax Collector administrative costs, which may include addition staff, and (c) to fund a reserve account of \$20 million to repay the City's short-term debt related to this program if borrowers default. <p style="text-align: center;">Policy Consideration</p> <ul style="list-style-type: none"> • Administrative Code Section 10.60 (b) provides for a General Reserve equal to 2.75 percent of budgeted General Fund revenues in FY 2019-20. However, the Board of Supervisors may suspend this provision following a declaration of an emergency due to a natural disaster. As of June 30, 2019, the General Reserve fund balance was \$130.9 million. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> • Approval of the proposed ordinances is a policy matter for the Board of Supervisors. 	

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Uses	Amount
Loan Program	\$20,000,000
Reserve for Borrower Default	20,000,000
Borrowing Costs	300,000
Administrative Costs	300,000
Total Uses	\$40,600,000

Source: File 20-0297

As shown above, the File 20-0297 would appropriate \$20 million in loan proceeds for the proposed loan program. In addition, File 20-0297 would appropriate \$20.6 million from the General Reserve to (a) pay for an estimated \$300,000 in borrowing costs, (b) pay for an estimated \$300,000 in Treasurer-Tax Collector administrative costs, which may include addition staff, and (c) to fund a reserve account of \$20 million to repay the City’s short-term debt related to this program if borrowers default.

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General Reserve Appropriation

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POLICY CONSIDERATION

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As of June 30, 2019, the General Reserve fund balance was \$130.9 million.

RECOMMENDATION

Approval of the proposed ordinances is a policy matter for the Board of Supervisors.

Introduction Form

By a Member of the Board of Supervisors or Mayor

RECEIVED
9/17/2020 @ 6:41pm
a

Time stamp
or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion or Charter Amendment).
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning : "Supervisor [] inquiries"
- 5. City Attorney Request.
- 6. Call File No. [] from Committee.
- 7. Budget Analyst request (attached written motion).
- 8. Substitute Legislation File No. []
- 9. Reactivate File No. []
- 10. Topic submitted for Mayoral Appearance before the BOS on []

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use the Imperative Form.

Sponsor(s):

Ronen, Haney, Preston, *mar, walton*

Subject:

[Appropriation of \$20,000,000 of Short-Term Loan and Interest Proceeds and \$600,000 of the General Reserve to the Treasurer and Tax Collector's Office to Administer Individual Loans for small businesses impacted by SARS-COV-2, and appropriating \$20,000,000 from the General Reserve in the event of loan default, and authorizing the Controller to reduce loan default appropriation]

The text is listed:

Ordinance appropriating \$20,000,000 of short-term loan proceeds and \$600,000 of the General Reserve to the Treasurer's and Tax Collector's Office to administer individual loans for small businesses impacted by SARS-COV-2, appropriating \$20,000,000 for loan default, and authorizing the Controller to reduce the loan default appropriation to the amount defaulted by June 30, 2021.

Signature of Sponsoring Supervisor:

Julie Ronen