



REPORT to the MAYOR and MEMBERS of the CITY COUNCIL
From the CITY MANAGER

DATE: November 28, 2023

SUBJECT: CONSIDERATION AND POSSIBLE ACTION TO
CONTRIBUTE FUNDING TO THE EMPOWER EAST
COUNTY BUSINESS FUND PROJECT AND A
RESOLUTION AUTHORIZING A TRANSFER OF
GENERAL FUND RESERVES TO THE FISCAL YEAR
2023-2024 OPERATING BUDGET TO FUND THE
PROJECT

ISSUING DEPARTMENT: CITY MANAGER

SUMMARY:

Issues:

1. Should the City Council contribute funding to the Empower East County Business Fund Project?
2. Should the City Council approve a resolution authorizing a transfer of General Fund Reserves to the Fiscal Year 2023-2024 Operating Budget to contribute funding to the Empower East County Business Fund Project?

Recommendation:

1. Staff recommends that the City Council consider contributing funding to the Empower East County Business Fund Project.
2. Approve a resolution authorizing a transfer of General Fund Reserves to the Fiscal Year 2023-2024 Operating Budget to contribute funding to the Empower East County Business Fund Project.

Fiscal Impact:

If authorized, a transfer of \$40,000 in General Fund Reserves will be made to the Fiscal Year 2023-2024 Operating Budget to fund the Empower East County Business Fund Project (Project). La Mesa's contribution is conditional upon award of a U.S Economic Development Administration (EDA) grant to the East County Economic Development Council (ECEDC) and other funding sources from East County cities and the County of San Diego.

BACKGROUND:

New and small businesses often have difficulty getting access to funds for startup or expansion costs. In some cases, they may not be able to obtain loans. And, interest rates on small business loans have risen significantly over the last two years, making existing and new small businesses increasingly challenged to access capital for equipment purchases, expansion plans, business reinvestment, and hiring skilled labor;

DISCUSSION:

To assist small businesses in East County, ECEDC is in the process of creating the Empower East County Business Fund Project. The Project functions as a revolving loan fund with the goal of providing capital to small businesses in East County that are unable to access traditional financing due to high interest rates and tighter lending standards. A government-subsidized small business revolving loan fund offers advantages to small businesses, local economies, and business start-ups by providing affordable financing options which fosters growth, innovation, and job creation. By offering low-interest loans, this initiative reduces the financial burden on existing businesses and start-ups thus increasing their chances of success.

Loan funding can be used for activities such as equipment purchases, start-up costs, business reinvestment, hiring, and expansion. An example use of the loan funds could be for the installation of a fire sprinkler system. Often, when a business such as a restaurant wants to expand, State building code requirements are triggered by the expansion such as the requirement for a fire sprinkler system. The cost of the fire sprinkler system, which could be more than \$100,000, may negatively impact the businesses expansion ability and plans. The access to a low interest loan, for the sprinkler system or other need, may be the difference on whether or not a business expansion occurs.

Payments made by small businesses on loans are reinvested back into the fund to maintain a steady flow of capital for ongoing lending. Additional details about the Project are attached to this report for reference (Attachment A).

To fund the Project, ECEDC has applied for an EDA grant that requires matching funds

to qualify. ECEDC has approached the cities of La Mesa, El Cajon, Santee, Lemon Grove and the County of San Diego to raise a total of \$500,000 in seed funding. If awarded, the EDA grant would provide \$500,000 in funding (their match) for a total of \$1,000,000 to begin the Project.

At their October 24 City Council meeting, the City of El Cajon conditionally approved \$300,000 in funding, leaving a remaining amount of \$200,000 to be funded from the remaining East County cities (including La Mesa) and the County of San Diego. La Mesa's possible contribution is \$40,000. It is staff's understanding that at the time of this report, the cities of Santee and Lemon Grove are in the process of considering funding. In addition to the funding from the cities and county, ECEDC has informed staff that the Project will potentially receive funding from ECEDC's 12 local banking partners and other agencies such as Civic Community Partners at a later date, which may further grow the fund.

CONCLUSION:

Staff recommends that the City Council consider contributing \$40,000 to fund the Project and approve a resolution authorizing a transfer of General Fund Reserves to the Fiscal Year 2023-2024 Operating Budget. La Mesa's contribution would be conditional upon the successful award of the EDA grant to ECEDC and other funding sources from East County cities and the County of San Diego becoming available.

Reviewed by:



Greg Humora
City Manager

Respectfully submitted by:



Amanda Lee
Assistant City Manager



Lyn Dedmon
Assistant to the City Manager

Attachment A: Empower East County Business Fund Project Information
Attachment B: Resolution