

Mount Jackson
Economic Development Authority Meeting

April 16, 2020

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Chairman Rick Koontz called the meeting to order at 5:00 PM in the council chambers at 5901 Main Street. Authority members in attendance were Mike Jones, Rod Shepherd, and Ken Hackenbracht. Authority member Steve Povlish and EDA Counsel Daniel R. Lauro both attended the meeting remotely through Zoom. Authority members Mike Koontz and Joe Proctor were absent. Also in attendance were Neil Showalter, Town Manager; Joseph S. Paxton, Consultant; Mario Rosso, Finance Director; and Debbie Stover, Town Clerk.

Agenda Additions/Deletions/Changes: Mr. Showalter stated there will be a new item #2 added to New Business to consider the appointment of Mario Rosso, the Town's newly appointed Finance Director, as Assistant Treasurer for the EDA.

Old Business:

Approval of Minutes – December 11, 2019

Authority member Shepherd MOVED, seconded by Authority member Jones to APPROVE the Minutes of the Meeting on December 11, 2019. All members present signified approval by saying AYE, motion carried unanimously.

New Business:

1. Consideration of Mount Jackson Disaster Impact Loan Program

Mr. Paxton stated this program has been adapted from other localities that have approved a similar program. He stated in looking for opportunities for the Town to help struggling businesses through this disaster it was determined that the existing loan program is set up to assist small and emerging businesses, but not necessarily in a way which would help them through this crisis. Staff contacted the Rural Development office in Lexington who gave the EDA approval to use the funds from the RBEG grant for this type of a program, as long as the target group is the same. Specifically, it must benefit small businesses with 50 or less employees and one million dollars or less in gross income. Mr. Paxton referred to the EDA's Statement of Cash Position provided to the Board, which shows the Town has \$79,823.23 outstanding available from the federal RBEG program, which could be moved to the disaster impact loan program. The Town also has an additional \$111,676.61 in unrestricted funds that could potentially be used as loan funds. These funds may be distributed without the same small business size restrictions.

He noted that the proposed program guidelines are: a maximum loan of \$10,000, interest free, a 3-year term, no payments for 120 days after the end of the month the loan funds are disbursed, and then equal principal payments every six months thereafter. The business must have been operational in Mount Jackson or have had a meaningful impact on the citizens of Mount Jackson for at least the previous 6 months. Eligible uses for the loan proceeds are similar to the federal Paycheck Protection Program (PPP) and include such items as payroll, utilities, inventory, rent or mortgage.

The application states that not every application will be accepted, and that applications could be accepted for less than the maximum amount. Mr. Showalter noted that, if the Authority approves this program, a subcommittee needs to be created to review the applications and make recommendations. Staff recommends loans require the signature of two persons, one of which could be either the Treasurer or

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Assistant Treasurer, but at least one must be a member of the Board serving on the committee. Mr. Paxton advised that the EDA may want to discuss what qualifies as a small business. The grant money funds are specific, but the EDA may want to allow some flexibility with the unrestricted funds by using the NAICS guidelines from the Small Business Administration to classify small businesses.

Chairman Koontz asked for clarification on the two-person committee, and if those two people would be the only ones to approve a loan, or would they have to come back to the EDA. Mr. Paxton replied staff was trying to keep the full board from having to meet to approve every loan, which is why staff is recommending establishing a committee. The Committee should include 3 EDA board members and the Treasurer and Assistant Treasurer, two of which are required to sign the loan documents, one of which could be the Treasurer or Assistant Treasurer.

Bond Attorney Mr. Lauro stated that to meet the guidelines in the Industrial Development Act all loans are required to be approved by the EDA Board of Directors. He stated that the subcommittee can review and provide recommendation to the full Board, but final approval must come from the full Board. He noted that the Board can have a rolling submittal deadline, where the committee can recommend a certain amount of applications at a time, followed by the EDA meeting to approve the loans.

Mr. Paxton stated he is aware that Shenandoah County has a similar program. He stated during their conference call today he didn't ask how the Shenandoah IDA set up their program, but the IDA has approved seven requests. He added that, if the EDA meets once a week, it should be able to provide the money to businesses on a timely basis. Mr. Paxton stated the approval meetings can be done electronically because Town Council approved the emergency ordinance allowing for meetings where Board members do not have to be present to vote. Chairman Koontz stated he prefers a conference call to vote on the committee's recommendation, and Mr. Lauro agreed with this approach.

Mr. Paxton asked Mr. Lauro to address the term sheet. Mr. Lauro said it allows the committee to fill in what they want to require ahead of time, such as borrower name, amount requested, recommended approval amount, etc. He stated there is a place in the actual application where the borrower can list what collateral they have, so the committee and EDA can decide what kind of collateral permits they would want to require, if at all, based on the loan amount. Mr. Lauro stated the applicants can sign the application and get a promissory note/security agreement.

Mr. Paxton stated staff printed a list of Town businesses that have a business license and will contact them to let them know about this program. He stated the County Chamber will include the program in the information they are sending to businesses. Mr. Lauro noted, when staff sends out the information, they may want to be specific on funds related to the grant, the small business limitations, so people who don't qualify wouldn't apply. Mr. Lauro also recommended giving as much leeway to the committee as possible for review, before bringing it back to the EDA, and recommended the EDA provide some guidelines on its preferences, such as personal guarantee, more loans at smaller amounts, or less loans at larger amounts.

Chairman Koontz asked for more clarification on what the basis would be for a request on a loan. Mr. Paxton referred to the bottom of page 2 of the application, which requires the applicant to provide a financial report detailing the average monthly amounts over the most recent six months, and then they can apply for up to \$10,000. Mr. Koontz asked if the total amount to work with is \$111,676.61. Mr. Paxton replied staff is recommending that the \$79,823.23 in grant money be made a part of this program, along with a little more than \$50,000 from the unrestricted funds to make a total of \$130,000 available to lend.

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Mr. Paxton stated staff recommends that the EDA not use all its unrestricted assets for this particular program, due to other programs and administrative costs. Mr. Showalter added staff has completed the collection of the administrative fees for this fiscal year, so the current cash position reflects the available amount until administrative fees are billed for the next cycle. Chairman Koontz asked if the grant approved in the December meeting had been made, and if so was it reflected in this financial statement, to which Mr. Showalter replied yes.

Mr. Shepherd asked if the EDA should consider a deadline for people to submit these applications and establish that as the next meeting date. Mr. Paxton recommended that, due to the uniqueness of this situation with people's circumstances changing constantly, the Board may want to have a cut off each week and only hear those applications received by that date. Applications received after that date would roll to the following week. Mr. Jones asked when staff would get information out to the businesses, and Mr. Paxton replied they should have the initial information out no later than Monday.

Authority member Jones MOVED, seconded by Authority member Shepherd to APPROVE the Disaster Impact Loan Program, with staff's recommendation of \$130,000 available funds. All members present signified approval by saying AYE, motion carried unanimously.

Chairman Koontz asked who would like to serve on the committee, to which Mr. Jones and Mr. Hackenbracht agreed. Mr. Mike Koontz had agreed to serve earlier today per a phone call with Mr. Showalter. Chairman Koontz asked about setting a standing meeting date and it was agreed to be every Thursday at 5:00 PM, beginning in two weeks on Thursday, April 30th. It was also decided staff would advise the Authority Board members by the Tuesday prior to the meeting at 5:00 PM, if a meeting would be necessary.

2. Staff Recommendation of the Appointment of Mario Rosso, Finance Director, as the EDA Assistant Treasurer.

Mr. Showalter stated Mr. Rosso will be assisting in checking the completeness of the loan applications and compiling certain financial reports.

Authority member Hackenbracht MOVED, seconded by Authority member Shepherd to APPROVE the appointment of Mario Rosso, Finance Director, as the EDA Assistant Treasure. All members present signified approval by saying AYE, motion carried unanimously.

Chairman Koontz adjourned the meeting at 5:25 PM.

Submitted By:

Debbie Stover
Secretary