

Overview of the Coronavirus Emergency Business Support Special Revenue Fund

Executive Summary:

The Department of Finance is submitting a bill request to the City Council that would create the Coronavirus Emergency Business Support Special Revenue Fund, transfer \$2M from General Fund Contingency to the new SRF, and transfer \$1.5M from the existing Business Incentive Fund.

Background:

The novel coronavirus (COVID-19) is now a global pandemic impacting people and economies worldwide. A State of Emergency has been declared at the national, state, and local level. The City and County of Denver's EOC is fully activated and is collaborating with City departments to implement a robust response, which will necessitate unbudgeted expenses citywide. This bill request attempts to make these emergency resources available to assist businesses who have been impacted by the COVID-19 response. The Department of Economic Development and Opportunity will leverage to the processes and infrastructure of two successful tools: the Microloan and BIO Fund programs.

The proposed Coronavirus Emergency Response Special Revenue Fund:

The Department of Finance wishes to create the Coronavirus Emergency Business Support Special Revenue Fund in the Economic Opportunity Series for the purposes of mitigating the financial impacts to companies resulting from Citywide public health strategies associated with the coronavirus. The fund will support local businesses with grants and micro loans as they weather the economic impacts of the coronavirus. The Denver Economic Development and Opportunity will administer the new program, which establishes specific criteria for businesses seeking support, including that they must:

- have experienced a 25% decline in revenue compared with the last year as a result of COVID 19 pandemic compared to an equal timeframe in the previous year
- generate \$2 million in annual revenue or less
- have 25 employees or fewer
- be registered with the Colorado Secretary of State's Office
- be engaged in activities that are legal under Colorado and federal law
- meet program technical requirements (including ability to provide financial records)
- be in good standing with local, state and federal taxing and licensing authorities

Industries will also be prioritized if their employees and customers have frequent close contact with individuals who may be infected with coronavirus, have been forced to close or operate at reduced hours due to employee sick leave/quarantine, or the business has limited ability to apply for and receive traditional loans.

All expenditures are subject to standard City Council approval procedures authorized in the Denver City Charter, meaning contracts and purchase orders valued at \$500,000 or more would require Council approval through a resolution.

Given the daily changes in how the virus is impacting the community, DEDO's eligibility criteria and priorities may evolve accordingly.

Revenues to the fund will include General Fund transfers, a transfer from the Business Incentive Fund (the origin which is an annual General Fund transfer) and other sources of revenue.

When the fund is no longer needed, it will be closed at the discretion of the expending authority, the Executive Director of the Department of Economic Development and Opportunity. The balance of this fund shall be swept and transferred to the General Fund.

The proposed Transfers to the new SRF:

This bill request also approves a \$2 million rescission from General Fund Contingency to make a cash transfer to the new SRF. The City annually appropriates contingency of two percent of operating expenditures in the General Fund for such emergencies. Additionally, DEDO has identified a balance of \$1.5 million in the BIF and is reprioritizing the use of these funds in the face of this unprecedented emergency situation.

The parameters of the SRF are such that unused balances may be transferred back to the General Fund or the BIF when they are no longer needed, which ensures the City does not strand needed funds.

General Fund Contingency in 2020 is budgeted at \$29.2 million. To date, no supplemental appropriations have been approved. However, CB20-0206 to rescind \$1 million from contingency to make a transfer to the Risk Management SRF is on second reading on Monday, March 23rd. If approved, \$28.2 million will remain in contingency. An additional request for an Emergency Response SRF is pending for \$10M, and if approved, \$18.2 million will remain. Approval of this request would reduce contingency to \$16.2 million.