

FINANCE COMMITTEE MEETING
March 19, 2020

The City of Jackson Finance Committee met in Emergency Session at 5:15 p.m. on Thursday, March 19, 2020 in the City Council Chambers of the Jackson City Hall. Attending were Finance Committee members Mayor Wayne Walter, Alderman Brandon Finck and Alderman Dave Cushman. Also attending were City Administrator Matt Skaret and Recording Secretary Dave Maschoff.

EMERGENCY ASSISTANCE TO LOCAL BUSINESSES DUE TO COVID-19 PANDEMIC

At the City Council's March 17th regular meeting, Finck said it really hit home how the Covid-19 pandemic is affecting the community. He said it was time for the Finance Committee to sit down and start thinking about how does the City help keep businesses in this community viable. Finck said first, can the City help keep them viable and second, what can the City do to try and do that.

Finck said another thing is for the City to try and stay in front of what's happening. He noted a lot of the national programs to help businesses that he's seen so far are geared towards bigger employers instead of small family owned businesses. Finck said he doesn't see a lot of help out there at the moment coming to help small local businesses.

Skaret said the Small Business Administration (SBA) is talking about a zero-interest loan program for businesses.

Finck agreed the SBA is talking about a zero-interest loan program, but all that does is make the loan payment larger on the backside of the payment schedule for businesses to swallow.

Finck said in his opinion, if we start to see Main Street businesses close and not reopen, that's a big hit to our community.

Skaret agreed.

Finck noted the City collects revenue year-in and year-out from the businesses and consumers. He said sometimes there's a point that if the City has been fiscally responsible, the City might have to figure out how to give a little bit back to make this work.

Finck said he wanted the Finance Committee to get together and really start to brainstorm about different things the City can do to help those that are impacted by the Governor's orders. He said that's what he's really focused on. Finck pointed out businesses have had to change how they do business due to the Governor's orders.

Cushman said those businesses are being told they can't function as they normally would. He said if there is some way the City can help those small businesses over this period that they're closed. Cushman noted the City works so hard to attract new businesses to Main Street such as through the Business Challenge Program. He said during this period, four or more businesses could quite possibly disappear. Cushman said if those businesses disappear, then the City has lost that tax base and you have open store fronts that generate nothing for who knows how much time.

Cushman asked if the City could assist businesses regarding utilities.

Skaret said he thinks there are some options regarding utilities. He late fees on utility bills could be waived and utility payments could be deferred.

Finck noted how quickly things stopped for businesses and their checkbooks were cut off.

Cushman said it's one thing if a business could have planned for the closures, but there was no time to plan.

Cushman asked if money from the Revolving Loan Fund could be used to assist current businesses. He said it doesn't do the City any good if we let the current businesses go away and the Revolving Loan Fund is for the next business coming in. Cushman pointed out the current businesses are already here. He asked if there was some way the City could use the money from the Revolving Loan Fund to help existing businesses sustain themselves. Cushman said he doesn't know if you would even call it a loan.

Skaret explained the problem is the City can't do grants. He said the City's expenditures have to be for a public purpose. Skaret said the public purpose is pretty well defined by state law.

Skaret said he spoke with Economic Coordinator Tom Nelson regarding the Revolving Loan Fund. He said the Revolving Loan Fund Committee may need to meet to develop some sort of loan package that could be offered to businesses. Skaret said forgivable loans could be looked into. He explained that's where a business could get a loan and as the business continues a portion of the loan is forgiven each year.

Finck said for example, a forgivable 10-year loan could be offered with a portion of the loan forgiven each year if the business stayed in business for 10 years. He noted the City would still have to take a mortgage on the business so if the business owner decides in six months or three years from now to liquidate or sell the business, the City could still recoup the percentage of the forgivable loan that the business hasn't used.

Finck noted the SBA is taking the interest on their loans down to zero percent during this period of time. He suggested maybe for a 90 or 180 day period, the City could offer a zero percent interest rate on the City's revolving loan funds.

Finck said when you talk to people and read social media, the Covid-19 pandemic is affecting businesses in our community. He said the City needs to figure out how to help. Finck said the City needs to be a part of the solution and make Main Street businesses feel as good as they can. He said the City needs to show businesses that the City is behind them and is trying to help.

Mayor Walter asked about the employees of small businesses.

Skaret said an individual could probably file for unemployment.

Finck noted there's federal legislation to help the consumer in the wake of the Covid-19 pandemic and to fill the two-week gap before unemployment checks begin to arrive. He explained the legislation would also allow the employer to allow employees to use family medical leave or reserve medical leave, not PTO if they have it available. Finck said part of the federal legislation would be sending \$1,000 checks out to each adult and \$500 per child in a household to help fill in the gap before unemployment checks arrive. He said high-income individuals with household incomes of \$150,000 would not qualify to receive the checks. Finck said rules are still being worked out but something is on the way to help individuals.

Cushman said the idea was for the City to try and help the business owner who is heavily invested into their business in Jackson.

Finck noted if the City helps a business stay afloat, that job comes back and is not lost and the opportunity for the employee will come back. But, Finck said if the doors of the business close, then those jobs are gone.

Cushman said if a business closes, then the City has a real problem. He said the City is trying to avoid that. Cushman said it might not sound like much, but paying the electric bill for a couple of months might be just the difference.

Finck said he has three suggestions. He said one suggestion was if the City could do a 90-day deferment or whatever you want to call it for utility payments. Finck said according to the latest information, the pandemic may be over in 90 days.

Mayor Walter noted that three months would include April, May and June.

Finck said he was thinking 60 days to get through the pandemic and 30 days for the business to get started back up.

Finck said he also looked at the Revolving Loan Fund if a business has a loan through that program. He suggested a 90-day interest deferment or forgiveness where the business would be paying principal only and not accruing interest. Finck said the interest deferment would end after that 90-day period.

Finck also suggested deferring the City's share of the first half of taxes if the business is a building owner on Main Street that's been affected. He asked if the City can defer or forgive the City's portion of the property taxes. Finck said he doesn't think the City can do it because he's asked about that before. He said he knows there's rules that have to be followed.

Skaret said he doesn't think the City can do that.

Cushman noted the abatement of City taxes would also involve the County and the School District.

Skaret pointed out there are rules regarding that and tax abatement is very defined.

Mayor Walter noted there are businesses operating downtown that aren't on Main Street.

Finck clarified he was referring to helping businesses not only on Main Street, but in the downtown corridor.

Finck said to administer and figure this out and where do you draw the line is going to be a challenge regarding assistance to businesses.

Right now, Finck said his line of thinking is to assist the businesses that have been directly impacted by the Governor's orders.

Mayor Walter noted those working in the hair salons and other impacted businesses don't have income coming in and thus won't be patronizing other businesses either.

Finck said other business are impacted indirectly.

Cushman said the businesses who were told they can't function as normal are the ones who are impacted immediately. He said the trickle-down effect from that will be felt for months.

Mayor Walter said hopefully in 90 days the business shut downs will have ended and the economy will be headed in the right direction.

Cushman said everyone agrees the shut downs won't end by the end of March.

Finck said the other idea he had to assist businesses was trying to figure out how to offer a \$7,500 to \$15,000 interest-free loan through the Revolving Loan Fund. He explained developing some kind of loan package that can be put together for those impacted businesses for the short-term that will assist in cash-flowing their business expenses and pay for the things they have to pay for. Finck said the loan package would help businesses get through this 90 to 120-day period. He said if the City could figure out some way to work with impacted businesses on a percentage forgivable loan or some percentage to pay back a loan to help businesses get through this period.

Finck pointed out the energy it takes to find another restaurant, hair salon or any other business that closes. He said the City spends more than that in hours of labor and manpower. Finck said we got to figure out how to help businesses so that when we get through the pandemic, we still have a viable business community.

Skaret said that's where the forgivable loan comes in.

Finck said the loan could be partial forgiveness and partial repayment.

Cushman noted if other businesses close, the new business that was just announced that's coming to Jackson may not want to come. Cushman agreed the City needs to work to retain businesses.

Mayor Walter suggested offering a \$15,000 forgivable loan in which a percentage of the loan is forgiven each year if the business stays in business for ten years.

Finck said ten percent of the loan could be forgiven each year over a period of ten years. He said it would be a long-term commitment. Finck explained if it's a ten-year commitment and in five years the business owner decides to retire, the remaining five years will be repaid when the business is sold. He said if a business stays in operation for ten years, the City has been repaid back through utilities, taxes and other things plus being a viable part of helping the community grow.

Finck said the other side of this is that you have a lot of business owners that have become very active in the community, like the JBDC. He noted if the community loses some of these business owners, there is a brain drain to our Main Street. Finck said their involvement is another way businesses are contributing back.

Mayor Walter noted the JBDC is the group that got the Business Challenge Program started.

Mayor Walter said he wouldn't have a problem with offering forgivable loans and trying to help out businesses with their electric bills somehow. He noted there aren't that many businesses that are closed due to the Governor's orders.

Finck said the restaurants, bars, hair salons and fitness center are closed because of the Governor's order.

Finck said if the City offers loans or programs to assist businesses impacted by the Governor's shut-down orders, the businesses will need to come to the City to apply for assistance. He said an application process would need to be developed and the business would have to prove losses are occurring due to the Governor's shut down. Finck said the process would need to be administered through the Finance Committee or a select group including a couple of Revolving Loan Fund Committee members to bring a recommendation to the City Council. He said the same criteria could also be set-up for utilities forgiveness where the business would have to show where their cash flow has been affected.

Skaret said applicants would have to provide an estimate of income lost in the application process.

Finck said he thinks businesses will need to go through an application process for City assistance.

Cushman said the application could be a simple form, but the business would have to prove the impact they incurred due to the Governor's shutdown.

Cushman asked Skaret if what the Finance Committee is talking about regarding assistance to businesses makes sense.

Skaret said he would want to check with the League of Minnesota Cities and the appropriate powers just to make sure the City is within its legal parameters to do this. He said other Cities are thinking about the exact same things. Skaret said the City would have to work with their utility billing software company to determine how deferment of paying utility bills for 90 days could be set up without making a mess.

Finck said he was thinking utility bill forgiveness.

Skaret said he didn't know if that could be done but he would check on that.

Finck said maybe utility relief would have to come through a revolving loan.

Cushman noted the purpose of the Revolving Loan Fund is to retain and attract businesses.

Finck said efforts by the City to offer assistance to businesses that have been impacted by the Governor's shut-down shows the City gets it and is trying very hard to figure out how to help.

If an application form can be developed, Finck said the Finance Committee could meet again to approve the form and make a recommendation to the City Council.

Skaret said the Revolving Loan Fund Committee should meet to work on the details. He said it would be nice to have a recommendation ready for the April 7th regular City Council meeting.

Finck said he doesn't want to delay taking action.

Mayor Walter said an assistance program should be ready to be implemented at the April 7th City Council meeting.

Finck asked Skaret if he could develop a check list for the March 23rd Finance Committee meeting so that check list could then be discussed with the Revolving Loan Fund Committee on perhaps March 25th to keep things moving forward. Finck said he also thinks the City needs to let the businesses most affected by the shutdown know that the City is working on an assistance package, but don't have details at this time.

Skaret said he did an advisory on March 19th about the general City operations on the City's website and Facebook page regarding the pandemic. He said he also included that the City is very mindful and concerned about the impact this is going to have on the business community and are actively working within the parameters of the law and the City's budgetary confines to assist the business community through these difficult times.

Mayor Walter said these are unchartered events and the City needs to try things and help our businesses.

Finck said we're fortunate because the City has been very fiscally responsible so it can help from a budget standpoint. He said the City has the ability to help when it needs to.

Cushman said he thinks the City needs to help. He said he's glad the Finance Committee members are all on the same page on this. Cushman said the City has the means to do it and thinks the City owes it to help keep businesses afloat. He said a year from now when this all settles down, there may be some budget tightening that may have to take place.

Skaret said assistance would come from the Revolving Loan Fund.

Finck noted the City will need to keep the Revolving Loan Fund healthy to keep attracting new businesses.

Cushman said in budgeting for 2021, maybe the City Council will need to look at how to replenish the Revolving Loan Fund so the City can keep attracting new businesses. Cushman said it's foolish to attract a new business if we can't keep what we got. He said the City has to figure out a way to help and let the business owner decide if that will be a good deal for them or not and if it will help them. Cushman said if the answer is "yes", then the City needs to figure out how to make it work.

Skaret said the core of economic development is keeping and maintaining what the City already has. He said we all want to see new businesses come to town and it's exciting; but really your economic engine are your existing businesses.

Mayor Walter asked Finck if \$15,000 is a high enough limit for a loan.

Finck said he thinks it is. He noted a lot of expenses have been cut for the businesses that have had to shut down. Finck estimated those monthly expenses are about \$5,000 to \$6,000 a month. He said he thinks \$15,000 would be a nice assistance size.

Cushman suggested including Economic Coordinator Tom Nelson in the conversations regarding developing plans for a City assistance program to help businesses.

Skaret said he would definitely include Nelson in the conversations. He noted City Attorney Brad Anderson will need to draw up the legal documents for the assistance loan program.

Cushman said things will need to move quickly.

Skaret said the Finance Committee would meet again on Monday, March 23rd.

GRANT FOR AMBULANCE DEPARTMENT

Skaret informed the Finance Committee that Ambulance Director Michael Muchlinski would like to apply for a grant that would provide funds to enable Assistant Ambulance Director Carey Simmons to become a full-time Ambulance Department employee and also allow for the hiring of a part-time person. He said the grant would pay for the positions. Skaret said there would be added expense but the costs would come out of the Ambulance Department's funds.

Skaret noted Simmons would need to be added to the City's health insurance plan if she became a full-time employee. He said that cost would also be paid for by Ambulance Department funds.

Skaret said Muchlinski has called the State regarding the grant but has not heard back as the Covid-19 pandemic has been in the forefront.

ADJOURNMENT

With no further business, the Finance Committee meeting was adjourned at 6:09 p.m.

David A. Maschoff, Recording Secretary

