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THE USE OF PUBLIC FUNDS TO MITIGATE THE EFFECTS OF COVID-19

CITY GOVERNMENT COMMITTEE

SUMMARY

In March of 2020, the Governor of California declared a state of emergency in regard to the spread of the Novel Coronavirus, commonly known as COVID-19. A Shelter in Place Order was released, shutting down or significantly slowing business, travel and social events. One year later, the City Government Committee of the 2021 Tehama County Grand Jury sought to investigate the use of public funds intended to mitigate the effects of the Shelter in Place and the ongoing restrictions associated with the global pandemic.

METHODOLOGY

On June 24, 2021, members of the City Government Committee met with the Red Bluff City Manager and a member of his staff to conduct an interview. On July 7, 2021, an interview was conducted with the Tehama County Administrator and a member of his staff. An additional interview was conducted on July 22, 2021, with the Executive Director of 3Core and the Business and Marketing Manager of the Job Training Center. Funding awards, public notices, and budgetary information were also reviewed.

DISCUSSION

Red Bluff administrators shared that funding related to Community Development Block Grants, the Coronavirus Aid, Relief, and Economic Security (CARES), and the American Rescue Plan (ARP), had yet to be received by the city. Under California guidelines, counties with fewer than 500,000 residents, and cities with fewer than 50,000 residents were not considered “entitlement” counties or communities, which resulted in rural communities being allocated funds as a reimbursement. Formal notices of funding availability were yet to be received as our committee began its inquiry in the spring.

By July, 2021, notice of funding availability had been received pertaining to small business loan programs. The City of Red Bluff, along with the cities of Corning and Tehama, pooled their funding resources and entered into a contract with 3Core and the Job Training Center to plan for the disbursement of funds of up to $35,000 for qualified small business owners. The County of Tehama maintains fiscal accountability with the intention that funds, once approved by the contracted entities, would be released to qualified applicants. The review of applications commenced on July 1, 2021.

City and County contributions created a total budget of $392,793, of which $327,500 would be made available to borrowers (remaining funds were allocated for administrative oversight).

Funding available for small business loans are made available on a first-come, first-served basis until all funds have been distributed.

Qualified loan recipients must meet the requirement of use set forth by the State of California; all expenditures must be related to losses incurred as a result of COVID-19. An application and business plan were required components of a successful request for funding. Businesses must have fewer than 8 employees and must fall within a set income level, or have employees that fall within the income guidelines. Employers must retain employees for at least 90 days to qualify for loan forgiveness; otherwise, loans are to be repaid at minimal interest. Applications containing the required business plan are carefully reviewed to ensure the business has sufficient capital to maintain good standing for a minimum of 12 months, further ensuring sustainability. At the time the interviews were conducted, no funds had been released.

The committee learned that despite the sixteen-month delay in disseminating funds, alternative financial programs were available for struggling small businesses in Tehama County. These included the California Relief Grant (Tehama businesses received a total of $2,264,000 over six rounds of funding distribution), disaster loans, and other local and state grant opportunities.

During our interviews, the committee learned that the cities of Corning and Tehama pooled resources with the County of Tehama to address homelessness in their efforts to reduce the negative impacts of COVID on vulnerable populations. The City of Red Bluff did not choose to collaborate with this city/county initiative.

FINDINGS

F1. Available funds were not automatically awarded to rural counties/communities. Funding is distributed from the state as a reimbursement. The City of Red Bluff determined that any expenditures would be a financial risk and did not move to implement project plans until the State of California issued formal notice that reimbursements were guaranteed.

F2. The City of Red Bluff does not have a strategic or implementation plan that can be used to prioritize projects for funding allocations.

F3. The City of Red Bluff collaborated with other communities under a Memorandum of Understanding with the County of Tehama to administer a small business loan program with the contracted assistance of long-standing, non-profit economic development and job training entities.

F4. The small business loan program did not begin reviewing applications until July, 2021; sixteen months after the Shelter in Place was declared.

F5. Administrators for the City of Red Bluff could not articulate the intentions or timelines for the small business loan program for which they had invested.

RECOMMENDATIONS

R1. The Grand Jury recommends that the City of Red Bluff engage in a community needs assessment to determine the strengths, challenges and risks the city experiences, from which a strategic and implementation plan should be developed to guide city planning.

R2. The Grand Jury recommends that city administrators take an active role in the oversight of the small business loan program.

R3. The Grand Jury recommends that the City of Red Bluff Administrator consider working collaboratively with other rural California communities to address rural equitability by advocating with local State Assembly and Senate Representatives. It is further recommended that city administrators work with the Tehama County Board of Supervisors to address these inequities.

R4. The Grand Jury recommends that the 2022 Tehama County Grand Jury Continuity Committee and City Government Committee continue to review the use of public funds intended to mitigate the effects of COVID-19, as some projects will continue until 2024.

REQUIRED RESPONSES

Pursuant to Penal Code section 933 and 933.05, the Grand Jury requests responses to R1 – R4 within 90 days.