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WOODBURY COUNTY BOARD OF SUPERVISORS AGENDA ITEM(S) R

Date: September 25, 2015

Weekly Agenda Date: September 29, 2015

ELECTED OFFICIAL / DEPARTMENT HEAD / CITIZEN: Supervisor Matthew Ung

SUBJECT: Why Woodbury County isn't loaning your tax dollars to private businesses

ACTION REQUIRED:

Approve Ordinance ☐	Approve Resolution ☐	Approve Motion ☐
Give Direction ☐	Other: Informational ☒	Attachments ☒

WORDING FOR AGENDA ITEM: Reading of statement – "Why Woodbury County isn't loaning your tax dollars to private businesses"

EXECUTIVE SUMMARY: Low-interest loans are still alive and well in Woodbury County—through the much more efficient, and much more sizeable private sector operation known as Siouxland Economic Development Corporation (SEDC).

BACKGROUND: As a board member of SEDC, I requested a report detailing loan information in rural Woodbury County. The board of directors requests identifying information about their lenders be kept confidential, but I was encouraged to release aggregate numbers.

FINANCIAL IMPACT: See attachment.

RECOMMENDATION: Set political agendas aside, stay the course, and embrace smaller and smarter government.

ACTION REQUIRED / PROPOSED MOTION: N/A

Approved by Board of Supervisors March 3, 2015. Revised May 5, 2015.

Why Woodbury County isn't loaning your tax dollars to private businesses

County Supervisor Matthew Ung

In response to the public buzz and questioning, it's time to reiterate why Supervisor Taylor and I coordinated to end Woodbury County's low-interest revolving loan fund. I understand reasonable minds may disagree, which is why I'll pose only facts and honest questions. The three fundamental questions are: Should the county supervisors speculate with your tax dollars in giving low-interest (2%) loans to private businesses and their expansion projects that may have happened anyway? Should the county claim that we have "created jobs" when in fact we were the second or third interest on a loan with funding from other sources such as bank, private, and grant funding? Finally, should we characterize it as loan program to "mom and pop" small business, when the most recent recommendation was for a $4.675 million corporate expansion, of which the $200,000 loan request was 4% of the project? As Supervisor Taylor told Supervisor Smith during our hour of public debate in the Sept. 15th board meeting, "maybe my definition of a mom and pop is different than yours."

Most importantly (and most under-reported), should we continue to ignore the fact that there are still low-interest community loans available--that there is already a $2.5 million revolving loan program through the Siouxland Economic Development Corporation (SEDC)? I represent the Woodbury County Board of Supervisors on the SEDC as a director. In one monthly meeting I have voted to approve more loans and micro-loans to area businesses than Woodbury County did in five years. Research reveals SEDC has given out loans--below bank rates--to 45 small business in rural Woodbury County. These loans directly funded and administrated approach $7 million. By their actions since 1983, SEDC estimates they have retained 397 jobs, and created 278 jobs, in rural Woodbury County alone. Compare this to the county's loan program which has given out four loans in five years of existence, for a total of $359,000.

SEDC is funded by federal grants rather than your local taxes. SEDC has loan recommendation professionals, and is unique among other Certified Development Companies in that their beginnings were local, so their board of directors also includes local government representatives. They are guaranteed by the U.S. Small Business Administration, they act an intermediary for U.S. Department of Agriculture funding, and they even host free workshops on how to successfully get their low-interest loans. SEDC exists, that's the point.

Yet suddenly the county's loan program is our last great hope? I don't buy it. And let me respond to blunt criticism with a blunt observation. Misinformation is annoying, but misinformation spread under pretense is worse. At the Sept. 22 board meeting, a business owner revived his statements in 2009 that he may not continue to expand his business in Woodbury County, as he protested the elimination of our revolving loan program. The Sioux City Journal's Sept. 23 article said he had applied for a $200,000 loan from the county. Except he never did. I thank the Journal for correcting that falsehood when I brought it to their attention. But this notion that an application (let alone the intent to file one) automatically entitles someone to approval is problematic. And with limited funds available, it makes favoritism far too easy. Sergeant Bluff got half of the rural loans, and I'd bet most farther east wouldn't call Sergeant Bluff a "rural town." Would you, Danbury?

The charge that this is about taking the rural Local Option Sales Tax dollars for Sioux City and only Sioux City is an arrow shot indiscriminately and repeatedly by those who stood to personally gain from a 2% county loan. One of them came to the board saying she would never question our motives, but as I sat listening, I was reminded of her emails to the board days prior, when she did exactly that. The claim is false, and I'll keep my word to use those dollars in the rural community. I regret that this issue is being played out as some sort of competition, when the real message is that public entities like the county shouldn't compete with private entities.

And so the fundamental answer is that public funds should be used for the public good. Perhaps that means a frontage road, perhaps that means assisting cities with their own strategic planning, perhaps that means continuing to fund the county fair, and the budgets of county departments that interact most with the rural areas. Perhaps it means teaming up to a greater extent with operations like the Siouxland Initiative, which has supplied many leads and secured many major expansion projects already, for the good of all. Or perhaps it just means fixing more county roads and maintaining them better--something I've been contacted more about than any other issue in my first year on the board. I told critics at the Sept. 15 meeting that they would probably be surprised to know if a project benefits the public good I may be in support of the county contributing the money through a competitive grant process rather than loaning it--we don't need your 2%, and we're not a bank. In fact, loaning funds below any bank's rate represents a loss to the taxpayers funding the loan in the first place.

If the main criteria is to help business owners, wouldn't it make sense to offer them low-interest home loans? Who reading this wouldn't benefit from a 2% interest rate on part of their home loan? Should a county government with its own debt use your tax dollars to do this? Similar to nonprofit funding, it's a slippery slope that easily leads to conflicts of interest. The fact that exact topic was arguably the central campaign issue of the 2014 Supervisor elections is proof enough of the moral hazard. What happens if campaign donors get county loans, and others don't?

I sincerely feel sorry for the one business that had a pending application. Unfortunately, there is never a "good time" to end a government program, because there will always be one applicant in the pipe. The revolving loan fund wasn't a bad use of your tax dollars, it's just wasn't the best use. Smaller and smarter government is a popular campaign slogan, but I understand that actually implementing it is painful. Let's all help us go from better to best. Government doesn't always have the answer. It shouldn't. You should.