



AGENDA REPORT



TO: Honorable Mayor & City Council

FROM: Councilmember Kaplan
(At-Large)

SUBJECT: City Auditor Assistance On Grants To
ESO Ventures

DATE: May 11, 2023

RECOMMENDATION

Councilmember Kaplan Recommends That The City Council:

Adopt a resolution requesting the assistance of the City Auditor to provide clarity on the grant funding awarded to ESO Ventures through City Council resolutions, including but not limited to the eight million dollar (\$8,000,000) grant in City Resolution No. 88877 C.M.S. (2021) and the seventy-five thousand dollar (\$75,000) grant awarded in City Resolution No. 88780 C.M.S. (2021) to determine how much of the grant funds have been spent and for what uses; how much remains; and identifying status reports provided by or about ESO Ventures' funding

EXECUTIVE SUMMARY

On October 19, 2021, the Oakland City Council adopted Resolution No. 88877 C.M.S. which accepted and appropriated eight million dollars (\$8,000,000) from the State of California for funding ESO Ventures California Capital in the Community. According to ESO Ventures, the California Capital in Community creates a fund for Black and Brown entrepreneurs managed by ESO Ventures Inc., which stated its intention to offer assistance and debt investment products for underserved, local entrepreneurs.

Resolution No. 88877 C.M.S. stipulated that ESO Ventures, with input from the City's Economic and Workforce Development Department, was required to provide a status report by September 2022 as a condition of receiving the second half of grant funds; however, this report was never presented to the Council. The City also granted ESO Ventures a grant of \$75,000 in Resolution No. 88780 C.M.S. Given that the required report was not received, that there is a great need in the East Oakland community for positive financial support, and that there is a lack of clarity on whether such intended support was received, it is in the interest of the public to inspect the management and granting of funds as required when the Council approved the allocation of funds to ESO Ventures.

BACKGROUND / LEGISLATIVE HISTORY

California Senate Bill No. (SB) 170, the Budget Act of 2021, appropriated eight million dollars (\$8,000,000) to the City of Oakland for the specific purpose of funding ESO Ventures California Capital in the Community Act. Pursuant to Section 19.56(b) of SB 170, each allocation in 19.56 includes the designated entity that allocates the funds to the recipients identified in the state designation.

Section 19.56(b) outlines that the designated state entity, “shall determine the best method for allocation to ensure the funds are used for the purposes specified,” in the Budget Act of 2021. Accordingly, on October 19, 2021, the Oakland City Council adopted Resolution No. 88877 C.M.S., which accepted and appropriated that \$8,000,000 for ESO Ventures California Capital in the Community Act, an investment fund for Black and Brown entrepreneurs managed by ESO Ventures Inc.

Resolution No. 88877 C.M.S. stipulated that ESO Ventures, with input from the City’s Economic and Workforce Development Department, was required to provide a status report by September 2022 as a condition of receiving the second half of State grant funds; however, this report was never presented to the Council. In addition to this larger allocation, the City also granted ESO Ventures a second grant of \$75,000 in Resolution No. 88780 C.M.S. In that allocation, which included multiple recipients, it was stated during the discussion of the item that all recipients of grants were non-profits, however, ESO Ventures is a for-profit corporation.

ANALYSIS AND POLICY ALTERNATIVES

Given that ESO Ventures did not provide the report to Council on the expending of the previously allocated funds, and community concerns about the needs for funds to support local opportunity for those who have historically been left behind, it is in the interest of the public to seek the information to determine what has happened with the funds, and what remains to be used, as required when the Council approved the allocation in October 2021. Gathering more information regarding ESO’s financial products and its policies and procedures for managing the funds is key to ensuring the funds are used to benefit the community as intended.

The most appropriate City department to seek this information is the Office of the City Auditor. The Charter empowers the City Auditor to conduct surveys, reviews, and audits as the Auditor deems to be in the best public interest or as required by the Council or Mayor, including the public interest to ascertain compliance with Council’s resolutions and policies and the Mayor’s Administrative Instructions and Directives, as well as applicable State and Federal laws and regulations.

This request for assistance from the City Auditor speaks directly to compliance with prior Council Resolution (No. 88877 C.M.S.) and the requirements mandated within that resolution in order to receive grant funds, as well as the broader need to ensure proper use of public funds for their intended purposes.

FISCAL IMPACT

This resolution would not require additional funding in order to receive assistance from the City Auditor to obtain the information requested in the resolution.

COORDINATION

Councilmember Kaplan has coordinated with the City Auditor’s Office and the City Attorney’s Office.

SUSTAINABLE OPPORTUNITIES

Economic: A key element of the audit is to ascertain the economic impact of the grants the City approved, and how those grants are supporting businesses in Oakland, and to ensure that the funds are being

provided as intended. ESO Ventures' mission is to provide the confidence, competence, and capital for any Black and Brown person to become an entrepreneur. The City Council seeks to understand how this mission has been realized with the grant funds the City provided in Resolution No. 88877 C.M.S. and Resolution No. 88780, and to ensure funds are being properly used.

Environmental: No direct environmental opportunities have been identified related to this audit.

Race & Equity: There is an extensive history of communities of color being excluded from access to capital, and thus, underserved in being able to build businesses and advance economic opportunity. By seeking to make sure that funds intended for such purposes are actually distributed in a fair and proper manner, we can help provide racial equity and remedy historic exclusions.

ACTION REQUESTED OF THE CITY COUNCIL

Councilmember Kaplan Recommends That The City Council:

Adopt a resolution requesting the assistance of the City Auditor to provide clarity on the grant funding awarded to ESO Ventures through City Council resolutions, including but not limited to the eight million dollar (\$8,000,000) grant in City Resolution No. 88877 C.M.S. (2021) and the seventy-five thousand dollar (\$75,000) grant awarded in City Resolution No. 88780 C.M.S. (2021) to determine how much of the grant funds have been spent and for what uses; how much remains; and identifying status reports provided by or about ESO Ventures' funding

For questions regarding this report, please contact Christine Miyashiro, Policy Director, at Cmiyashiro@oaklandca.gov.

Respectfully submitted,



Councilmember Rebecca Kaplan
At-Large District

Prepared by:
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Office of Councilmember At-Large Rebecca Kaplan