

DATE ISSUED: May 31, 2000

REPORT NO. 00-118

ATTENTION: Honorable Mayor and City Council

SUBJECT: Fiscal Year 2001 Funding Recommendations for the Economic Development and Tourism Support Program

SUMMARY

THIS IS AN INFORMATIONAL REPORT FOR DELIBERATION DURING THE FISCAL YEAR 2001 PROPOSED BUDGET HEARINGS.

Issues - Should the City Council approve the City Manager's proposed FY 2001 Special Promotional Programs budget recommendations for the Economic Development and Tourism Support Program (EDTSP) and funding for EDTSP contract administration/technical support services to be provided by the City's Economic Development Division?

City Manager's Recommendations - Approve the City Manager's proposed FY 2001 Special Promotional Programs budget recommendations for the Economic Development and Tourism Support Program (EDTSP) and funding for EDTSP contract administration/technical support services to be provided by the City's Economic Development Division. Specifically, this recommendation would allocate \$605,735 to contract with seventeen (17) economic development and tourist support organizations and \$56,575 for contract administration/technical support services to be provided by the City's Economic Development Division in FY 2001.

Other Recommendations - 1) On May 22, 2000, the City's appointed Economic Development and Tourism Support Program Review Panel (Panel) unanimously adopted the above recommendations for allocating FY 2001 EDTSP funds and forwarded the recommendations to the City's Small Business Advisory Board for review and approval. 2) At the regular meeting of the City's Small Business Advisory Board (Board) on May 24, 2000, the Board reviewed and unanimously adopted the Panel's recommendations for allocating FY 2001 EDTSP funds.

Fiscal Impact - The City Manager's FY 2001 Proposed Budget for the Economic Development and Tourism Support Program is \$662,310.

BACKGROUND

The Economic Development and Tourism Support Program (EDTSP) enables nonprofit organizations to assist the City in achieving one or more of the following goals: 1) attract and/or develop business within the City; 2) develop employment opportunities for City residents; and/or 3) promote the City as a tourism destination. Prior to a program name change adopted by the City Council in December 1999, the EDTSP was previously known as the Sub-Regional Economic Development (SRED) Program. Total SRED Program funding in FY 2000 was \$610,789.

In response to comments received from different community groups regarding the allocation process for the SRED Program in FY 2000, the Mayor appointed a Special Committee last summer to develop recommendations for improving the fund allocation process. The Special Committee was comprised of representatives from the TED (Tourism and Economic Development) Coalition, the Small Business Advisory Board and the tourism industry. After several meetings, the Special Committee developed consensus recommendations for improving the process.

On December 6, 1999, the City Council unanimously approved the recommendations of the Special Committee including three key changes. In an effort to clarify organizational eligibility and qualifying criteria, the first adopted modification was to change the name from Sub-Regional Economic Development to the Economic Development and Tourism Support Program. The second change was to switch from project to organizational funding. The third process change was to use a formula funding allocation method that was consistent with the longstanding and successful process utilized by the Commission for Arts and Culture.

The Special Committee further recommended, and the City Council subsequently supported, that there be a nine-member review panel comprised of five members of the Small Business Advisory Board and four members of the tourism industry. It was decided that the Panel would serve as the review authority/appeals board and make its final recommendations to the full Small Business Advisory Board. The Board would then, in turn, make its recommendations to the City Manager and City Council prior to the budget hearings.

DISCUSSION

In accordance with the City Council approved process amendments to EDTSP, staff incorporated the recommended changes into the FY 2001 application. A cover letter highlighting eligibility requirements was attached to the revised application and broadly distributed to all prospective applicants. On December 17, 1999, a press release was distributed announcing the availability of EDTSP applications and notifying all prospective applicants of a scheduled technical assistance workshop on January 6, 2000. In addition to the noticing, staff directly contacted previous applicant organizations who had not confirmed their participation and encouraged them to attend the workshop. The workshop provided an overview of the program, offered tips for submitting a successful application and allowed applicants to openly ask questions pertaining to the process. Twenty-one (21) organizations, requesting approximately \$1.4 million in EDTSP funding,

submitted applications by the due date on January 26, 2000. The FY 2001 Proposed Budget allots \$662,310 for EDTSP organizations and necessary staff costs for contract administration / technical support. The framework that the Panel used for reviewing applications, assigning ranks and calculating recommended funding allocations was modeled after the successful process utilized by the Commission for Arts and Culture.

Review Panel

As recommended, the nine-member EDTSP Review Panel was comprised of five representatives from the Small Business Advisory Board and four representatives from the tourism industry. Panel members were selected because of their knowledge and experience in business and tourism. The role of the Panel was to review, rank, and ultimately make fund allocation recommendations to the Board for each applicant organization.

Allocation Equity

FY 2001 marked the first year that the EDTSP process converted from project to organizational funding and utilized a formula-based fund allocation method tied to an organization's Annual Operating Income (AOI). As a means of ensuring allocation equity and in keeping with the successful process utilized by the Commission for Arts and Culture, staff applied the funding limitations and evaluation criteria presented in Attachment 1. Funding eligibility was determined as a percentage of each organization's AOI.

In an effort to equitably determine the maximum authorized funding level for each organization and broadly apply EDTSP funds to qualifying organizations, funding was not allowed to exceed 25% of an organization's most recent AOI. On a descending scale presented within the application, organizations with smaller AOI's were permitted to request a higher percentage (up to 25%) of their AOI than those organizations with higher AOI's. Organizational funding requests were further limited to not exceed 10% of net available EDTSP funds (\$60,574 is the recommended 10% limit).

Combining the above referenced criteria, each organization was permitted to request the lesser of 1) the "less than 25% of AOI" limitation or 2) the "not to exceed 10% of net available funds" limitation. The "less than 25% of AOI limitation" creates a sliding scale that allows smaller organizations with smaller AOI's to receive a greater percentage allocation than larger organizations which may have other sources of revenue. Irrespective of AOI, organizations were not allowed to request more than 25% of their AOI or more than 10% of net available funds.

Panel Recommendations

After reviewing the applications, Panel members assigned each applicant organization a rank between (4) highest and (1) lowest. The Panel subsequently met to discuss the rationale behind their rankings for each organization. A composite ranking was established for each organization by throwing out the highest and lowest Panel member rankings and averaging the others. The composite rank, along with summarized Panel comments, was mailed to each applicant organization. All organizations were provided with a noticed opportunity to appeal the composite Panel rank and/or the summarized comments.

On May 22, 2000, subsequent to hearing two appeals, the Panel met to determine funding levels

for the assigned ranks and to determine how funds would be allocated. Given that organizational requests for funding significantly exceeded available funds, the Panel decided to allocate funds to those organizations that achieved the highest ranks based primarily on thorough applications that included strong qualifying objectives/accomplishments. Organizations that were assigned a rank of (2+) or less have not been recommended to receive funds.

The Panel's final FY 2001 recommendations for the EDTSP are presented in Attachment 2. In developing these final recommendations, the Panel sought to: 1) equitably allocate funds to minimize the impact of newly implemented process changes to EDTSP organizations that had previously received funds, 2) reward thorough applications with strong qualifying objectives and organizational accomplishments and 3) thoughtfully administer the new process that was developed by the Mayor's Special Committee and subsequently approved by the City Council. Based on net available funds for EDTSP in FY 2001, the Panel recommends that 17 organizations receive at least 90% of their authorized maximum funding level. On May 24, 2000, the Board reviewed and unanimously adopted the Panel recommendations.

CONCLUSION:

Subsequent to the FY 2000 application and allocation process, a significant effort was undertaken to improve the annual fund apportionment process for the EDTSP. Input was sought from applicant organizations, representative industry groups, the Small Business Advisory Board, the Mayor's office and assigned City staff. The result of this effort was a new application and funding recommendation process that was unanimously adopted by the City Council on December 6, 1999. The changes that were incorporated into the FY 2001 EDTSP process were intended to make the annual application and fund allocation process more equitable, systematic and stable.

The attached recommendations represent a considerable voluntary effort made by both the appointed Panel and the Small Business Advisory Board. The Panel and the Board have unanimously approved these recommendations in keeping with the new City Council approved process for developing EDTSP funding recommendations. Given these facts and in light of the aforementioned process, it is recommended that the City Council approve the attached funding recommendations for the applicant EDTSP organizations.

ALTERNATIVES

Do not approve these specific recommendations.

Respectfully submitted,

Hank Cunningham, Director
Economic Development and Community Services

Approved: Bruce A. Herring
Deputy City Manager

HERRING/JK

Note: Attachments available for review in the Office of the City Clerk.

Attachments:

1. Organizational Support Funding Methodology
2. EDTSP Panel and Board Funding Recommendations for FY 2001