

**DATE ISSUED:** May 31, 2001

**REPORT NO.** 01-116

**ATTENTION:** Honorable Mayor and City Council  
Docket of June 4, 2001

**SUBJECT:** Fiscal Year 2002 Funding for Economic Development and Tourism Support Program

**SUMMARY**

**THIS IS AN INFORMATIONAL REPORT FOR DELIBERATION DURING THE FISCAL YEAR 2002 PROPOSED BUDGET HEARINGS.**

Issues B Should the City Council approve the Small Business Advisory Board's proposed Fiscal Year 2002 Special Promotional Programs budget recommendations for the Economic Development and Tourism Support Program (EDTSP)?

City Manager's Recommendation B Support the Small Business Advisory Board's proposed Fiscal Year 2002 Special Promotional Programs budget recommendations for the Economic Development and Tourism Support Program (EDTSP).

Small Business Advisory Board Recommendation B On May 3, 2001, the Economic Development and Tourism Support Review Panel developed recommendations for the allocation of Fiscal Year 2002 EDTSP funds and forwarded these recommendations to the City's Small Business Advisory Board for review and approval. On May 21, 2001, the City's Small Business Advisory Board unanimously adopted the review panel's ranking and funding recommendations. Of the \$737,125 available for distribution, this recommendation allocates \$678,004 to contract with eighteen (18) non-profit economic development and tourism support organizations and further allocates \$59,121 for contract administration/technical support services to be provided by the Economic Development Division of the City's Community and Economic Development Department.



Fiscal Impact B The City Manager's Proposed Fiscal Year 2002 Budget for the Economic Development and Tourism Support Program is \$737,125. The Small Business Advisory Board's recommendation also totals \$737,125.

## **BACKGROUND**

The Economic Development and Tourism Support Program (EDTSP) enables non-profit organizations to assist the City in achieving one or more of the following goals: 1) attract and/or develop business and economic opportunities within the City; 2) develop employment opportunities for City residents; and 3) promote the City of San Diego as a tourist destination.

Prior to FY 2001, EDTSP was known as the Sub-Regional Economic Development (SRED) Program. In response to comments received from different community groups regarding the allocation process for the SRED Program in Fiscal Year 2000, the Mayor appointed a Special Committee to develop recommendations for improving the funding allocation process. The Special Committee included representatives from the Tourism and Economic Development (TED) Coalition, the tourist industry, and the Small Business Advisory Board. The Special Committee developed recommendations for improving the allocation process.

In December 1999, the City Council unanimously approved the recommendations of the Special Committee including three key program changes. The first change was to rename the program Economic Development and Tourism Support. The second was to switch from individual project to organizational funding. The third program revision was to use a formula funding allocation method that was consistent with the longstanding and successful allocation process used by the Commission for Arts and Culture.

The City Council also accepted the Special Committee's recommendation 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 Small Business Advisory Board reviews all panel recommendations, and forwards its recommendations to the City Manager and City Council prior to the budget hearings. All of the Special Committee's recommendations have been incorporated into the process for EDTSP since Fiscal Year 2001.

## **DISCUSSION**

On January 5, 2001, notices were sent to advise interested organizations that EDTSP applications were available. Noticing included press releases, reference on the City's home page, and letters to prospective applicants. A Technical Assistance Workshop was held on February 5, 2001 to assist interested organizations with the application process. The workshop provided an overview of the program, offered suggestions for developing effective applications and allowed applicants



to ask questions related to the City's application review and recommendation process. Applications were due to the City no later than February 16, 2001.

Nineteen (19) agencies/organizations requested over \$1.14 million in EDTSP funding. The Proposed FY 2002 Budget allots \$737,125 for the EDTSP program including administrative staff for program/contract administration and technical support. The process used by the review panel for reviewing applications, ranking applicants, and calculating the recommended funding allocations was based on the recommended framework approved by the City Council in Fiscal Year 2001.

### **Review Panel**

The role of the panel was to review, rank, and make funding allocation recommendations to the Small Business Advisory Board for each applicant organization. Panel members were selected because of their knowledge and experience in business and tourism.

### **Allocation Equity**

The EDTSP process is designed to provide organizational funding utilizing a formula-based allocation process tied to the applicants Annual Operating Income (AOI). To ensure allocation equity, and in keeping with the process used by the Commission for Arts and Culture, staff applied the funding limitations and evaluation criteria presented in Attachment A. Funding levels and eligibility were 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, recommended funding was not allowed to exceed 25% of an organization's most recent AOI. Maximum allowable funding is based on a descending AOI scale presented within the application. A lower gross AOI enables an organization to request a higher percentage of authorized funding (not to exceed 25% of total AOI). This sliding scale allows smaller organizations with smaller AOI's to receive a greater percentage of their AOI than larger organizations, which may have other sources of revenue.

Organizational funding requests are further limited not to exceed 10% (\$67,800) of total net available EDTSP funds. Combining the above referenced criteria, each organization was permitted to request the lesser of: 1) their authorized percentage of AOI; or 2) 10% of the net available EDTSP funds.

### **Review Panel Recommendations**

On March 29, 2001, the panel held a public meeting to review, discuss and rank each application. After reviewing each application, panel members assigned the applicant organization a numerical ranking between "4" highest and "1" lowest. By averaging the ranking of each panel member (excluding the highest and lowest individual score), a composite score was established for each organization. The composite score, along with a summary of panel comments, was mailed to each applicant organization on April 11, 2001. The panel assigned higher rankings to organizations with thorough applications that met the goals and objectives of the program. Each



organization was provided an opportunity to appeal their ranking and/or panel comments. On May 3, 2001, the panel held a public meeting to review four submitted appeals and to finalize their recommendations. Panel recommendations were subsequently forwarded to the Small Business Advisory Board for review and final approval.

### **Small Business Advisory Board Recommendations**

The Small Business Advisory Board's Fiscal Year 2002 recommendations for the EDTSP are presented in Attachment B. In developing their final recommendations, the Small Business Advisory Board sought to: 1) reward thorough applications with strong qualifying objectives and organizational accomplishments; and 2) fund organizations, which either support economic development, develop employment opportunities or promote tourism in the City of San Diego. Based on the net available funds for EDTSP in FY 2002, the review panel and the Small Business Advisory Board recommend that 18 organizations receive funding.

### **CONCLUSION:**

Subsequent to the Fiscal Year 2000 application and allocation process, a significant effort was undertaken to improve the annual funding recommendation process for the EDTSP. The EDTSP changes approved by the City Council for Fiscal Year 2001 have significantly improved the application review and funding allocation process. These changes have carried forward into the Fiscal Year 2002 EDTSP process making the annual application and funding allocation more equitable, systematic and stable.

The attached recommendations represent a considerable voluntary effort by members of the review panel and the Small Business Advisory Board. The panel and the Board have developed and approved these recommendations in keeping with the City Council approved process for developing EDTSP funding recommendations. It is recommended that the City Council approve the Small Business Advisory Board's funding recommendations for the applicant EDTSP organizations (as presented in Attachment B) and that they be included in the Fiscal Year 2002 Budget.

### **ALTERNATIVES**

1. Do not to approve the recommendations.
2. Approve the recommendations but provide additional organizational funding.

Respectfully submitted,

Hank Cunningham, Director  
Community and Economic Development

Approved: Bruce Herring  
Deputy City Manager





HERRING/JK

Attachments:

- A. Organizational Support Funding Methodology
- B. EDTSP Panel and SBAB Funding Recommendations for FY 2002