

DATE ISSUED: June 5, 2002

REPORT NO. 02-135

ATTENTION: Honorable Mayor and City Council

SUBJECT: Fiscal Year 2003 Funding Recommendations for Economic Development and Tourism Support Program

SUMMARY

THIS IS AN INFORMATIONAL REPORT FOR DELIBERATION DURING THE FISCAL YEAR 2003 PROPOSED BUDGET HEARINGS.

Issues – Should the City Council approve the Small Business Advisory Board’s proposed Fiscal Year 2003 Special Promotional Programs budget recommendations for the Economic Development and Tourism Support Program (EDTS)?

City Manager’s Recommendation – Support the Small Business Advisory Board’s proposed Fiscal Year 2003 Special Promotional Programs budget recommendations for the Economic Development and Tourism Support Program (EDTS) for \$737,125.

Small Business Advisory Board Recommendation – On April 26, 2002, the Economic Development and Tourism Support Review Panel developed recommendations for the allocation of Fiscal Year 2003 EDTS funds and forwarded the recommendations to the City’s Small Business Advisory Board for review and approval. On May 28, 2002, the City’s Small Business Advisory Board approved the Review Panel’s ranking and funding recommendations. Of the \$737,125 available for distribution, the recommendation allocates \$678,004 to contract with nineteen (19) non-profit EDTS organizations and further allocates \$59,121 for program/contract administration and technical support services to be provided by the Economic Development Division of the City’s Community and Economic Development Department.

Fiscal Impact – The City Manger’s Proposed Fiscal Year 2003 Budget for the Economic Development and Tourism Support Program is \$799,501, which includes \$62,376 supplemental funding for an existing program.

BACKGROUND

The Economic Development and Tourism Support Program (EDTS) 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 Fiscal Year 2001, EDTS 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 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 from the Small Business Advisory Board and four members from 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 EDTS since FY 2001.

DISCUSSION

On January 4, 2002, first class notices were sent to advise interested organizations that EDTS applications were available. Noticing included press releases, reference on the City's home page along with a downloadable application and letters to prospective applicants. A Technical Assistance Workshop was held on February 4, 2002 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 15, 2002.

Twenty (20) agencies/organizations requested over \$1.06 million in EDTS funding. The Proposed FY 2003 Budget allots \$737,125 for the EDTS 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 FY 2001.

Review Panel

The role of the Panel was to review, rank, and make fund 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 EDTS process is designed to provide organizational funding utilizing a formula based funding 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, the Panel 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 EDTS 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 their AOI (not to exceed 25%). This sliding scale allows smaller organizations with smaller AOI's to receive a greater percentage of their total AOI than larger organizations, which may have other sources of revenue.

Organizational funding requests are further limited to not exceed 10% (\$67,800) of total net available EDTS 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 funds.

Review Panel Recommendations

On March 29, 2002, the Panel held a public meeting to review, discuss and rank each application. After reviewing each application, panel members assigned the applicant organization a ranking between "4" (highest) and "1" (lowest). By averaging the ranking of each panel member (excluding the highest and lowest individual score), a composite ranking was established for each organization. The composite ranking, along with a summary of panel comments, was mailed to each applicant organization on April 8, 2002. 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 or respond to panel comments. On April 26, 2002, the Panel held a public meeting to review five (5) appeals and finalize their recommendations. Final Panel recommendations were then forwarded to the Small Business Advisory Board for review and approval.

Small Business Advisory Board Recommendations

The Small Business Advisory Board's Fiscal Year 2003 recommendations for the EDTS program are presented in Attachment B. In developing the final recommendations, the Small Business Advisory Board sought to 1) reward thorough applications with strong qualifying objectives and organizational accomplishments and 2) to 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 EDTS in FY 2003, the Review Panel and the Small Business Advisory Board recommend that nineteen (19) organizations receive funding.

CONCLUSION:

Following the Fiscal Year 2000 application and allocation process, a significant effort has been undertaken to improve the annual funding recommendation process for the EDTS program. The EDTS program changes approved by the City Council in FY 2001 have significantly improved the application review and fund allocation process. These changes have been carried forward into the FY 2003 EDTS process making the annual application and funding allocation process 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 EDTS funding recommendations. It is recommended that the City Council approve the Small Business Advisory Board's funding recommendations for applicant EDTS organizations (as presented in Attachment B) and that they be included in the FY 2003 Budget.

ALTERNATIVES

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

Respectfully Submitted,

Hank Cunningham, Director
Community and Economic Development Department

Approved: Bruce Herring
Deputy City Manager

HERRING/JK

Attachments:

- A. Organizational Support Funding Methodology

ORGANIZATIONAL SUPPORT FUNDING METHODOLOGY

1. Apply a funding curve to Actual Operating Income (AOI).
2. Apply a maximum funding level for a single organization of 10% of net available funds.
3. Apply a maximum funding level of 25% of AOI.
4. Use the following review criteria in evaluating funding proposals:
 - 👍 Applicant Qualifications, including history and existing programs and services.
 - 👍 Organizational efforts and accomplishments in the areas of economic development, or employment development, or tourist development.
 - 👍 Measurable benefits to City’s residents and visitors
 - 👍 Demonstrated need and the impact of funding
 - 👍 Professionalism of the applicant organization
 - 👍 Marketing and Outreach Programs
 - 👍 Collaboration/partnerships with other agencies.
5. The following rank factors were used for funding levels:

“4”	100%
“4-“	90%
“3+”	80%
“3”	65%
“3-“	50%
“2+”	25%

NOTE: Below 2+ is not recommended for funding.

ECONOMIC DEVELOPMENT AND TOURISM SUPPORT PROGRAM

ATTACHMENT B

SMALL BUSINESS ADVISORY BOARD FUNDING RECOMMENDATIONS FOR FISCAL YEAR 2003

Total Available funding **\$737,125**
Distribution

Net Available Funds \$678,004

Rank

4	100%
4-	90%
3+	80%
3	65%
3-	50%
2+	25%
2	0%
1	0%

Administrative support
& Technical assistance **\$ 59,121**

Recommended Funding \$678,004
\$0

Funding Assumptions: Funding only to 2+ and above

Funding Guidelines: Maximum funding cannot exceed – 10% of available funds **\$67,800**
Annual Operating Income (AOI) **25%**

ORGANIZATION	FY2003 RANK		%	Original	Request	Adjusted	Recommended Funding
		AOI	AOI	Request	Based on AOI	Based on Cap	
Food & Beverage Association	4	\$197,582	19.0%	\$38,000	\$37,541	\$37,541	\$37,541
Hostelling International	4	\$1,001,253	13.5%	\$70,000	\$135,169	\$67,800	\$67,800
Promote La Jolla	4	\$225,052	19.0%	\$40,000	\$42,760	\$40,000	\$40,000
Travelers Aid Society of SD	4	\$417,862	17.0%	\$70,827	\$71,037	\$67,800	\$67,800
ACCION San Diego	4-	\$607,738	15.0%	\$91,161	\$91,161	\$67,800	\$61,020
SD County Hispanic Chamber of Commerce	4-	\$737,904	15.0%	\$70,000	\$110,686	\$67,800	\$61,020
International Visitors Council	3+	\$154,317	20.0%	\$30,863	\$30,863	\$30,863	\$24,690
Mission Valley Tourism Council	3+	\$76,467	22.0%	\$13,760	\$16,823	\$13,760	\$11,008
Responsible Hospitality Institute	3+	\$306,229	18.0%	\$55,000	\$80,000	\$55,000	\$44,000
San Ysidro Chamber of Commerce	3+	\$69,593	22.0%	\$15,310	\$15,310	\$15,310	\$12,248
South County - EDC	3+	\$797,337	14.0%	\$67,500	\$111,627	\$67,500	\$54,000
City Heights Business Improvement	3	\$573,927	16.0%	\$91,808	\$91,828	\$67,800	\$44,070
Asian Business Association	3-	\$235,028	18.0%	\$37,332	\$42,305	\$37,332	\$18,479
Bayview CDC	3-	\$676,166	15.0%	\$101,425	\$101,425	\$67,800	\$33,561

East County EDC	3-	\$498,395	16.0%	\$79,740	\$79,743	\$67,800	\$33,561
International Rescue Committee	3-	\$148,458,000	9.5%	\$50,000	\$14,103,510	\$50,000	\$24,750
Japan Society of San Diego & Tijuana	3-	\$103,636	21.0%	\$21,763	\$21,764	\$21,763	\$10,773
SD Regional Technology Alliance	3-	\$1,231,579	13.0%	\$30,000	\$160,105	\$30,000	\$14,850
Otay Mesa Chamber of Commerce	2+	\$411,128	17.0%	\$69,892	\$69,892	\$67,800	\$16,833
San Diego World Affairs Council	2	\$114,009	21.0%	\$23,500	\$23,942	\$23,500	\$0
		\$156,893,202		\$1,067,881	\$15,437,490	\$964,969	\$678,004