

DATE ISSUED: May 28, 2003

REPORT NO. 03-109

ATTENTION: Honorable Mayor and City Council
Docket of June 2, 2003

SUBJECT: Fiscal Year 2004 Funding Recommendations for Economic Development and
Tourism Support Program

SUMMARY

THIS IS AN INFORMATIONAL REPORT FOR DELIBERATION DURING THE FISCAL YEAR 2004 PROPOSED BUDGET HEARINGS.

Issues – Should the City Council approve the Small Business Advisory Board’s proposed Fiscal Year 2004 Special Promotional Programs budget recommendations for the Economic Development and Tourism Support (EDTS) Program?

City Manager’s Recommendation – Support the Small Business Advisory Board’s (SBAB) proposed Fiscal Year 2004 Special Promotional Programs budget recommendations for the Economic Development and Tourism Support Program for \$719,551.

Small Business Advisory Board Recommendation – The City’s Small Business Advisory Board recommends the allocation of \$666,342 to contract with nineteen (19) non-profit EDTS organizations and further allocates \$53,209 for program/contract administration and technical support services to be provided by the Economic Development Division, Community and Economic Development Department.

Fiscal Impact – The City Manger’s Proposed Fiscal Year 2004 Budget for the Economic Development and Tourism Support Program is \$719,551.

BACKGROUND

The Economic Development and Tourism Support (EDTS) program was established by the City Council in 1998 to promote the City of San Diego as a visitor destination and to advance the City’s economy by increasing tourism and attracting industry. The EDTS program 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.

In its sixth year of existence, the EDTS program has grown in terms of process and achievements. The EDTS program initiated the City's first on-line application and received high ratings in its FY 03 Customer Satisfaction Survey. The Survey was conducted by the Organization Effectiveness Program and determined that the EDTS application, evaluation and contract process was understandable, consistent and equitable. In FY 2002, the EDTS program was successful in providing 200 loans to small businesses, facilitating the creation of 1,858 jobs, generating an estimated \$4.8 million in hotel room sales and \$500,000 in Transient Occupancy Tax revenue.

DISCUSSION

On January 3, 2003, notices were sent to advise all interested organizations that EDTS applications were available. Outreach efforts also included press releases, reference on the City's home page and a downloadable application. A Technical Assistance Workshop was held on February 3, 2003 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 EDTS application review and recommendation process. Applications were due to the City no later than February 14, 2003.

Twenty-three (23) agencies/organizations requested over \$1.3 million in EDTS funding. The Proposed FY 2004 Budget allots \$719,551 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 Economic Development and Tourism Support Review Panel developed recommendations for the allocation of Fiscal Year 2004 EDTS funds and forwarded the recommendations to the City's Small Business Advisory Board for review and approval. The role of the Panel was to review, rank, and make fund allocation recommendations to the Small Business Advisory Board for each applicant organization. The process used by the 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. Panel members were selected because of their knowledge and experience in business and tourism.

Review Panel Recommendations

On April 2, 2003, 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) pursuant to the formula based funding allocation methodology detailed in Attachment A. By averaging the individual 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 9, 2003. The Panel assigned higher rankings to organizations with applications that met the goals and objectives of the EDTS program. Each organization was provided an opportunity to appeal their ranking or respond to Panel comments. On April 25, 2003, the Panel held a public meeting to review four (4) 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 2004 recommendations for the EDTS program are presented in Attachment B. In developing the final recommendations, the Small Business Advisory Board sought to 1) reward 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 2004, the Review Panel and the Small Business Advisory Board recommend that nineteen (19) organizations receive funding.

CONCLUSION:

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 Policy 100-03 and the 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 2004 Budget.

ALTERNATIVES

1. Do not 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](#)
- B. [EDTS Review Panel and SBAB Funding Recommendations for FY 2004](#)

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”	70%
“3-“	50%
“2+”	0%
“2”	0%

NOTE: Below 3- is not recommended for funding.

6. New organizations in their first year of EDTS funding shall be funded at 50% of their computed allocation. Second year organizations shall be funded at 75% of their computed allocation.

**ECONOMIC DEVELOPMENT AND TOURISM SUPPORT PROGRAM
SMALL BUSINESS ADVISORY BOARD
FUNDING RECOMMENDATIONS FOR FISCAL YEAR 2004**

Total Available funding **\$719,551**

Net Available Funds \$666,342
Recommended Funding \$666,342
\$0

Rank Distribution

4	100%
4-	90%
3+	80%
3	70%
3-	50%
2+	0%
2	0%
1	0%

Administrative support
& Technical assistance **\$ 53,209**

Funding Assumptions: Funding only to 3- and above

Funding Guidelines: Maximum funding cannot exceed –

10% of available funds \$66,634
Annual Operating Income (AOI) 25%

ORGANIZATION	FY2004 RANK	%		Original Request	Request Based on AOI	Adjusted Based on Cap	Recommended Funding
		AOI	AOI				
Food & Beverage Association	4	\$ 192,973	19.0%	\$ 34,800	\$ 36,665	\$34,800.00	\$34,800
Hostelling International	4	\$ 1,080,086	13.5%	\$ 70,000	\$ 145,812	\$66,634.00	\$66,634
Mission Valley Tourism Council	4	\$ 69,830	22.0%	\$ 12,000	\$ 15,363	\$12,000.00	\$12,000
Travelers Aid Society of SD	4	\$ 422,639	17.0%	\$ 71,740	\$ 71,849	\$66,634.00	\$66,634
International Visitors Council	4-	\$ 191,907	19.0%	\$ 36,462	\$ 36,462	\$36,462.00	\$32,633
SD County Hispanic Chamber of Commerce	4-	\$ 685,011	14.5%	\$ 66,500	\$ 99,327	\$66,500.00	\$59,518
ACCION San Diego	3+	\$ 583,962	15.0%	\$ 87,594	\$ 87,594	\$66,634.00	\$52,974
Otay Mesa Chamber of Commerce	3+	\$ 417,992	17.0%	\$ 71,059	\$ 71,059	\$66,634.00	\$52,974
Promote La Jolla	3+	\$ 257,103	18.0%	\$ 46,260	\$ 46,279	\$46,260.00	\$36,777
SD Regional Technology Alliance ²	3+	\$ 897,700	14.0%	\$ 70,000	\$ 125,678	\$66,634.00	\$39,731
City Heights CDC ¹	3	\$ 601,118	15.0%	\$ 70,000	\$ 90,168	\$66,634.00	\$23,155
Diamond CDC ¹	3	\$ 146,287	20.0%	\$ 24,000	\$ 29,257	\$24,000.00	\$8,340
International Rescue Committee ²	3	\$ 3,268,951	9.5%	\$ 49,982	\$ 310,550	\$49,982.00	\$26,053
Japan Society of San Diego & Tijuana	3	\$ 159,692	20.0%	\$ 31,938	\$ 31,938	\$31,938.00	\$22,197
SD East Visitors Bureau ¹	3	\$ 295,242	18.0%	\$ 50,000	\$ 53,144	\$50,000.00	\$17,375
Asian Business Association	3-	\$ 289,772	18.0%	\$ 57,954	\$ 52,159	\$52,159.00	\$25,929
Bayview CDC	3-	\$ 1,003,916	13.5%	\$ 129,171	\$ 135,529	\$66,634.00	\$33,124
East County EDC - Connectory.Com Project	3-	\$ 577,289	16.0%	\$ 70,000	\$ 92,366	\$66,634.00	\$33,124

Responsible Hospitality Institute ²	3-	\$ 397,798	17.0%	\$ 60,000	\$ 80,000	\$60,000.00	\$22,370
SD Regional Chamber of Commerce ¹	2+	\$ 4,406,715	9.5%	\$ 30,000	\$ 418,638	\$30,000.00	\$0
South County EDC	2+	\$ 474,272	16.0%	\$ 67,500	\$ 75,884	\$66,634.00	\$0
Uptown Partnership ¹	2	\$ 485,521	16.0%	\$ 70,000	\$ 77,683	\$66,634.00	\$0
College EDC ¹	N/A	\$ 118,000	21.0%	\$ 23,600	\$ 24,780	\$23,600.00	\$0
		\$ 17,023,776		\$1,300,560	\$2,208,182	\$1,184,041	\$666,342

¹ First Year applicant limited to 50% funding of computed allocation

² Second Year applicant limited to 75% funding of computed allocation