

DATE ISSUED: June 2, 2004

REPORT NO. 04-125

ATTENTION: Honorable Mayor and City Council
Docket of June 7, 2004

SUBJECT: Fiscal Year 2005 Funding Recommendations for Economic Development
and Tourism Support Program

SUMMARY

**THIS IS AN INFORMATIONAL REPORT FOR DELIBERATION DURING THE
FISCAL YEAR 2005 PROPOSED BUDGET HEARINGS.**

Issues – Should the City Council approve the Small Business Advisory Board’s proposed Fiscal Year 2005 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 2005 Special Promotional Programs budget recommendations for the Economic Development and Tourism Support Program for \$647,596.

Small Business Advisory Board Recommendation – The City’s Small Business Advisory Board recommends the allocation of \$599,708 to contract with sixteen (16) non-profit EDTS organizations and further allocates \$47,888 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 2005 Budget for the Economic Development and Tourism Support Program is \$647,596

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 seventh year of existence, the EDTS program has continued to grow in terms of process and achievements. The EDTS program initiated the City's first Special Promotional on-line application in FY03 and received high ratings in its FY 03 Customer Satisfaction Survey. The Survey, which was conducted by the City's Organization Effectiveness Program, indicated that the EDTS application, evaluation and contract process was understandable, consistent and equitable. Highlighted below are the most recent EDTS accomplishments.

Economic Development

- 207 loans dispersed to small businesses
- 12,587 businesses were assisted/attracted
- 36,300 business directories and resource guides were circulated to business communities within the City of San Diego.

Employment Development

- Outreached employment opportunities to 2,084 San Diego residents
- Hosted two (2) different job fairs that attracted over 158 employers and over 6,100 attendees.

Tourism Attraction

- Over 1,046,364, tourists were assisted/attracted
- Hotel Rooms occupied - 418,604
- \$41.9 million estimated in hotel room sales
- Approximately \$4.4 million in Transient Occupancy Tax (TOT) revenue generated

DISCUSSION

On January 05, 2004, 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 02, 2004 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 13, 2004.

Twenty (20) agencies/organizations requested over \$1 million in EDTS funding. The Proposed FY 2005 Budget allots \$647,596 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 2005 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 09, 2004, 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 1. 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 16, 2004. 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 30, 2004, the Panel held a public meeting to review six (6) 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 2005 recommendations for the EDTS program are presented in Attachment 2. 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 2005, the Review Panel and the Small Business Advisory Board recommend that sixteen (16) 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 2) and that they be included in the FY 2005 Budget.

ALTERNATIVES

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

Respectfully Submitted,

Hank Cunningham Director
Director
Community and Economic Development Department

Approved: Bruce Herring
Deputy City Manager

HERRING/JK

- Attachments: 1. Organizational Support Funding Methodology
2. EDTS Review Panel and SBAB Funding Recommendations for FY 2005

ATTACHMENT 1

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-"	91%
"3+"	80%
"3"	70%
"3-"	60%
"2+"	0%
"2"	0%
"2-"	0%
"1"	0%

NOTE: Below 3- is not recommended for funding.

**ECONOMIC DEVELOPMENT AND TOURISM SUPPORT PROGRAM
SMALL BUSINESS ADVISORY BOARD
FUNDING RECOMMENDATIONS FOR FISCAL YEAR 2005**

Total Available funding **\$647,596**

Net Available Funds \$599,708
Recommended Funding \$599,708
\$0

Rank Distribution

4	100%
4-	91%
3+	80%
3	70%
3-	60%
2+	0%
2	0%
2-	0%
1	0%

Administrative support & Technical assistance **\$ 47,888**

Funding Assumptions: Funding only to 3- and above

Funding Guidelines: Maximum funding cannot exceed –

10% of available funds \$59,971
Annual Operating Income (AOI) 25%

ORGANIZATION	FY2005 RANK			Original	Request	Adjusted	Recommended Funding
		AOI	% AOI	Request	Based on AOI	Based on Cap	
Food And Beverage Association	4-	\$ 186,598	19.0%	\$34,800	\$35,454	\$34,800.00	\$31,670
San Diego East Visitors Bureau	4-	\$ 336,704	17.0%	\$57,239	\$57,240	\$57,239.00	\$52,087
ACCION San Diego	3+	\$ 589,091	15.0%	\$88,364	\$88,364	\$59,971.00	\$48,026
Hostelling International	3+	\$ 1,138,219	13.0%	\$70,000	\$147,968	\$59,971.00	\$48,026
Japan Society of San Diego & Tijuana	3+	\$ 173,558	19.0%	\$32,976	\$32,976	\$32,976.00	\$26,408
Otay Mesa Chamber of Commerce	3+	\$ 440,279	16.0%	\$70,445	\$70,445	\$59,971.00	\$48,026
Promote La Jolla	3+	\$ 248,595	18.0%	\$40,000	\$44,747	\$40,000.00	\$32,033
San Diego Regional Technology Alliance	3+	\$ 822,898	14.0%	\$70,000	\$115,206	\$59,971.00	\$48,026
Travelers Aid Society of San Diego	3+	\$ 478,337	17.0%	\$70,000	\$81,317	\$59,971.00	\$48,026
City Heights Community Development Corp.	3	\$ 1,728,732	12.0%	\$64,100	\$207,448	\$59,971.00	\$41,980
S.D. County Hispanic Chamber of Commerce	3	\$ 640,744	15.0%	\$66,500	\$96,112	\$59,971.00	\$41,980
South County Economic Development Council	3	\$ 669,826	16.0%	\$49,000	\$107,172	\$49,000.00	\$34,300
Asian Business Association	3-	\$ 214,586	19.0%	\$40,771	\$40,771	\$40,771.00	\$24,463
East County EDC - Connectory.Com project	3-	\$ 587,501	15.0%	\$40,500	\$88,125	\$40,500.00	\$24,300
International Visitors Council	3-	\$ 178,567	19.0%	\$33,928	\$33,928	\$33,928.00	\$20,357
Responsible Hospitality Institute	3-	\$ 455,504	16.0%	\$50,000	\$72,881	\$50,000.00	\$30,000
Old Town S.D. Chamber of Commerce	2+	\$ 67,831	22.0%	\$36,000	\$14,923	\$14,923.00	\$0

College Area Economic Development Corp.	2-	\$ 115,000	21.0%	\$20,000	\$24,150	\$20,000.00	\$0
Uptown Partnership	1	\$ 598,801	15.0%	\$55,000	\$80,000	\$55,000.00	\$0
San Ysidro Chamber of Commerce	DQ ¹	\$ 88,417	21.0%	\$18,568	\$18,568	\$18,568.00	\$0
TOTAL		\$ 9,759,788		\$ 1,008,191	\$ 1,457,795	\$ 907,502	\$599,708

¹Per the EDTS application guidelines, the applicant was disqualified for failing to submit ALL required materials.