

DATE ISSUED: May 18, 2005

REPORT NO. 05-120

ATTENTION: Honorable Mayor and City Council
Docket of May 24, 2005

SUBJECT: Fiscal Year 2006 Funding Recommendations for Economic Development
and Tourism Support Program

SUMMARY

**THIS IS AN INFORMATIONAL REPORT FOR DELIBERATION DURING THE
FISCAL YEAR 2006 PROPOSED BUDGET HEARINGS.**

Issues – Should the City Council approve the Small Business Advisory Board’s funding recommendations for the Economic Development and Tourism Support Program in the Fiscal Year 2006 Special Promotional Programs budget?

City Manager’s Recommendation – Support the Small Business Advisory Board’s funding recommendations for the Economic Development and Tourism Support Program in the Fiscal Year 2006 Special Promotional Programs budget for \$589,062.

Small Business Advisory Board Recommendation – The City’s Small Business Advisory Board recommends the allocation of \$539,737 to contract with sixteen (16) non-profit EDTS organizations and further allocates \$49,325 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 2006 Budget for the Economic Development and Tourism Support Program is \$589,062.

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 eighth year of existence, the EDTS program has evolved into a fair, consistent and equitable process. Each year the success of EDTS program has helped to enhance the economic status of the City of San Diego, develop programs that support employment opportunities for San Diego residents, attract tourists and encourage them to lengthen their stay in the City. Over the years, the EDTS program has worked diligently to maximize the City's return on investment.

Highlighted below are the most recent EDTS accomplishments:

Economic Development

- 215 loans dispersed to small businesses
- 5,650 businesses were assisted/attracted
- 28,600 business directories and resource guides were circulated to business communities within the City of San Diego.

Employment Development

- Outreached employment opportunities to 2,620 San Diego residents
- Hosted three (3) different job fairs that attracted over 243 employers and over 7,000 attendees.

Tourism Attraction

- Over 1,313,249, tourists were assisted/attracted
- Hotel Rooms occupied – 575,207
- \$57.5 million estimated in hotel room sales
- Approximately \$6.0 million in Transient Occupancy Tax (TOT) revenue generated

DISCUSSION

On January 12, 2005, 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 01, 2005 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 11, 2005.

Sixteen (16) agencies/organizations requested over \$835,000 in EDTS funding. The Proposed FY 2006 Budget allots \$589,062 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 Review Panel plays a vital part in the review process. Each year, volunteer panelists from throughout the San Diego community contribute their time and knowledge to help make the distribution of Transient Occupancy Tax funds a fair and open process. The Economic Development and Tourism Support Review Panel developed recommendations for the allocation of Fiscal Year 2006 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 08, 2005, 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 18, 2005. 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 29, 2005, the Panel held a public meeting to review one (1) appeal 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 2006 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 2006, 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 2006 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 A. Herring
Deputy City Manager

Herring/JK/lo

- Attachments: 1. Organizational Support Funding Methodology
2. EDTS Review Panel and SBAB Funding Recommendations for FY 2006

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-"	85%
"3+"	60%
"3"	50%
"3-"	0%
"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 2006**

Total Available funding **\$589,062**

Net Available Funds \$539,737

Rank Distribution

4	100%
4-	85%
3+	60%
3	50%
3-	0%
2+	0%
2	0%
2-	0%
1	0%

Administrative support & Technical assistance **\$ 49,325**

Recommended Funding **\$539,737**
\$0

Funding Assumptions: Funding only to 3 and above

Funding Guidelines: Maximum funding cannot exceed –

10% of available funds \$53,974
Annual Operating Income (AOI) 25%

ORGANIZATION	FY2006 RANK			Original	Request	Adjusted	Recommended Funding
		AOI	% AOI	Request	Based on AOI	Based on Cap	
San Diego East Visitors Bureau	4	\$ 233,522	18.0%	\$42,034	\$42,034	\$42,034.00	\$42,034
ACCION San Diego	4-	\$ 675,442	15.0%	\$60,000	\$101,316	\$53,974.00	\$45,887
Business Improvement District Council	4-	\$ 1,051,493	13.5%	\$50,000	\$141,952	\$50,000.00	\$42,509
Citizen Diplomacy Council	4-	\$ 218,928	19.0%	\$32,947	\$41,596	\$32,947.00	\$28,011
Food And Beverage Association of San Diego	4-	\$ 225,262	19.0%	\$42,800	\$42,800	\$42,800.00	\$36,387
Hostelling International-American Youth Hostels	4-	\$ 1,092,952	13.0%	\$60,000	\$142,084	\$53,974.00	\$45,887
Japan Society of San Diego & Tijuana	4-	\$ 156,216	20.0%	\$31,243	\$31,243	\$31,243.00	\$26,562
Otay Mesa Chamber of Commerce	4-	\$ 313,239	17.0%	\$53,251	\$53,251	\$53,251.00	\$45,273
Promote La Jolla	4-	\$ 245,815	18.0%	\$40,000	\$44,247	\$40,000.00	\$34,007
Travelers Aid Society of San Diego	4-	\$ 434,968	16.0%	\$66,700	\$69,595	\$53,974.00	\$45,887
Asian Business Association	3+	\$ 257,716	18.0%	\$46,000	\$46,389	\$46,000.00	\$27,370
Old Town S.D. Chamber of Commerce	3+	\$ 66,185	22.0%	\$14,000	\$14,561	\$14,000.00	\$8,330
San Diego County Hispanic Chamber of Commerce	3+	\$ 656,970	15.0%	\$60,000	\$98,546	\$53,974.00	\$32,115
South County Economic Development Council	3+	\$ 257,689	18.0%	\$43,773	\$46,384	\$43,773.00	\$26,045
City Heights Community Development Corporation	3	\$ 1,890,131	11.5%	\$67,450	\$217,365	\$53,974.00	\$26,717
Disabled Businessperson Association	3	\$ 600,130	15.0%	\$125,000	\$90,020	\$53,974.00	\$26,716
TOTAL		\$ 8,376,658		\$ 835,198	\$ 1,223,383	\$ 719,892	\$ 539,737