



DATE ISSUED: May 2, 2006

REPORT NO: 06-051

ATTENTION: Council President and City Council

SUBJECT: Fiscal Year 2007 Funding Recommendations for Economic Development and Tourism Support Program

## REPORT TO THE CITY COUNCIL

### REQUESTED ACTION:

As part as an informational report for deliberation during the Fiscal Year 2007 proposed budget hearings for the Special Promotional Program, the City's Small Business Advisory Board recommends allocating \$539,737 to fourteen (14) non-profit EDTS applicant organizations and further allocates \$50,805 for program/contract administration and technical support services to be provided by the Economic Development Division, Planning and Community Investment Department.

### STAFF RECOMMENDATION:

Staff recommends supporting the Small Business Advisory Board's funding recommendations for the Economic Development and Tourism Support Program in the Fiscal Year 2007 Special Promotional Programs budget for \$590,542.

### SUMMARY:

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
- 3) Promote the City of San Diego as a tourist destination

The EDTS program awards funds pursuant to a merit based application 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

- 205 loans dispersed to small businesses
- 1,639 businesses were assisted/attracted

- 60,872 business directories and resource guides were circulated to business communities within the City of San Diego.

#### Employment Development

- Outreached employment opportunities to 1,768 San Diego residents
- Hosted three (3) different job fairs that attracted over 486 employers and over 8,500 attendees.

#### Tourism Attraction

- Over 1,332,921 tourists were assisted/attracted
- Hotel Rooms occupied – 269,683
- \$32 million estimated in hotel room sales
- Approximately \$3.4 million in Transient Occupancy Tax (TOT) revenue generated

#### *Process Overview*

EDTS funding applications were received until the specified deadline of January 30, 2006. Fourteen (14) agencies/organizations requested over \$710,268 in EDTS funding. The Proposed FY 2007 Budget allots \$590,542 for the EDTS program including administrative staff for program/contract administration and technical support. The process used by the independent 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 2007 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 March 10, 2006, 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 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 by March 22, 2006. This year there were no

appeals to the Panel rankings and comments.. Final Panel recommendations were then forwarded to the Small Business Advisory Board for review and approval on April 26, 2006.

The Small Business Advisory Board's Fiscal Year 2007 recommendations for the EDTS program are listed in the Allocations Spreadsheet presented as 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 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 2007, the Review Panel and the Small Business Advisory Board recommend that fourteen (14) organizations receive funding.

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.

FISCAL CONSIDERATIONS:

The Small Business Advisory Board's Fiscal Year 2007 recommendations for the EDTS program are listed in the Allocations Spreadsheet presented as Attachment 2.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

On May 24, 2005 the Mayor and City Council approved 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.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

On January 12, 2006, 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 January 20, 2006 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.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Key stakeholders include the fourteen applicant non-profit organizations, City residents and businesses that benefit from the EDTS program objectives to attract business to the City, increase/retain employment opportunities and promote the City as a tourist destination.

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WARRING/JK/LO

- Attachments:
1. Organizational Support Funding Methodology
  2. EDTS Review Panel and SBAB Funding Recommendations for FY 2007

**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-“	90%
“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 2007**

Total Available funding      **\$590,542**

Net Available Funds      \$539,737

Rank Distribution

4	100%
4-	90%
3+	80%
3	70%
3-	60%
2+	0%
2	0%
2-	0%
1	0%

Administrative support  
& Technical assistance      **\$ 50,805**

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	FY2007 RANK			Original	Request	Adjusted	Recommended Funding
		AOI	% AOI	Request	Based on AOI	Based on Cap	
Business Improvement District Council	4	\$ 1,311,479	12.5%	\$53,000	\$163,935	\$53,000.00	<b>\$53,000</b>
San Diego East Visitors Bureau	4	\$ 309,008	17.0%	\$54,500	\$52,531	\$52,531.00	<b>\$52,531</b>
Citizen Diplomacy Council	4-	\$ 200,424	19.0%	\$38,081	\$38,081	\$38,081.00	<b>\$34,406</b>
City Heights CDC	4-	\$ 2,134,026	11.0%	\$62,400	\$234,743	\$53,974.00	<b>\$48,766</b>
Hostelling International-American Youth Hostels	4-	\$ 1,162,171	13.0%	\$50,000	\$151,082	\$50,000.00	<b>\$45,175</b>
Promote La Jolla	4-	\$ 253,727	18.0%	\$40,000	\$45,671	\$40,000.00	<b>\$36,140</b>
Travelers Aid Society of San Diego	4-	\$ 370,824	17.0%	\$60,982	\$63,040	\$53,974.00	<b>\$48,766</b>
Otay Mesa Chamber of Commerce	3+	\$ 644,676	15.0%	\$96,701	\$96,701	\$53,974.00	<b>\$43,368</b>
San Diego County Hispanic Chamber of Commerce	3+	\$ 870,550	14.0%	\$60,000	\$121,877	\$53,974.00	<b>\$43,368</b>
South San Diego County EDC	3+	\$ 322,998	17.0%	\$44,848	\$54,910	\$44,848.00	<b>\$36,035</b>
ACCION San Diego	3	\$ 650,364	15.0%	\$60,000	\$97,555	\$53,974.00	<b>\$37,944</b>
Food And Beverage Association of San Diego	3	\$ 210,574	19.0%	\$39,000	\$40,009	\$39,000.00	<b>\$27,417</b>
Old Town S.D. Chamber of Commerce	3	\$ 95,392	21.0%	\$20,000	\$20,032	\$20,000.00	<b>\$14,060</b>
Japan Society of San Diego & Tijuana	3-	\$ 155,580	20.0%	\$31,116	\$31,116	\$31,116.00	<b>\$18,761</b>
<b>TOTAL</b>		<b>\$ 8,691,793</b>		<b>\$710,628</b>	<b>\$1,211,285</b>	<b>\$638,446</b>	<b>\$539,737</b>