

County of Monterey Economic Development

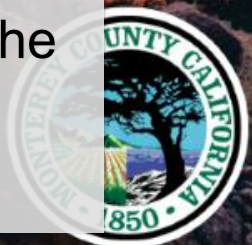
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Photos provided by the Monterey County Convention & Visitors Bureau



Recommendation from Committee

- ◆ Recommendation: The recommendation below was approved by the Committee and initiated the work that followed by the Ad Hoc Committee.
- ◆ 1.
 - ◆ A. Consider conducting a comprehensive evaluation of the Development Set-Aside (DSA) program, develop criteria, and review the funding formula with an opportunity to propose new allocations to existing DSA agencies, and
 - ◆ B. Assign four (4) committee members and one (1) Supervisor to a Development Set-Aside Ad hoc Committee to review and propose a recommendation to the Economic Development Committee for consideration at a future meeting. If a supervisor is not able to be selected one will be appointed by the Board of Supervisors;
 - ◆ C. Review the inclusion of additional organizations to the DSA program in the future.



Ad Hoc Committee Overview/Re-cap

- ◆ Ad hoc committee met three (3) times for a total of six (6) hours plus nearly one hundred (100) hours of staff time and an unknown amount of ad hoc committee member time spent outside of meetings.
- ◆ Complete review of 1998 DSA Guidelines, FY22-23 Workplans, Financial Statements, Quarterly Reports, and Back-up financial documents (invoices, receipts, etc.).
 - ◆ Redlined 1998 DSA Guidelines attached
 - ◆ Revised DSA guidelines attached
- ◆ Revised DSA guidelines:
 - ◆ Updated content to reflect current data
 - ◆ Developed a set criteria for what it means to be a considered a DSA agency
 - ◆ Updated information that needs to be collected from all DSA agencies
 - ◆ Update workplan goals
 - ◆ Updated program timeline
 - ◆ Updated reporting requirements

Ad Hoc Committee Overview/Re-cap

- ◆ Recommendations proposed by Ad Hoc Committee to take effect in FY24-25 if approved:
 - ◆ Administrative expenses 30% of budget unless approved by the ECD or BOS
 - ◆ Approved workplan submittal date Feb 1st each year
 - ◆ Semi-annual reporting
 - ◆ Workplans must allow for revisions and recommendations from the Committee and/or BOS
 - ◆ DSA agencies with gross revenues over \$2 million are required to provide audited financial statements each year.
 - ◆ DSA agencies with gross revenues under \$2 million are required to provide unaudited financial statements each year. With audited financial statements to be submitted when completed by organization. (ex. MCBC completed audited financial statements every 5 years)
 - ◆ Additional financial back-up documentation may be requested by one of the following: (EDC, CAO, or BOS) but, no more than one-time per fiscal year.
 - ◆ Individual DSA allocations were revised down to include the Monterey County Business Council into the formula adopted by the Board of Supervisors.
 - ◆ Research on Economic Development programs like DSA in other jurisdictions across the U.S.

DSA Criteria & Workplan

- ◆ Criteria (major revisions):
 - ◆ Economic linkages
 - ◆ Flexibility for adaptations
- ◆ Workplan (major revisions):
 - ◆ Submittal date moved to February 1st
 - ◆ Goal 1: Economic Development
 - ◆ Goal 2: Workforce Development
 - ◆ Goal 3: Marketing
 - ◆ Goal 4: Collaborations and Partnerships



Expanding DSA Program



- ◆ Process for potentially adding new agencies to DSA:
 - ◆ Currently the program is designed to promote and expand tourism, economic and agricultural development, and cultural arts activities to strengthen and broaden the County's economic base.
 - ◆ If program is opened to new organizations, then DSA % allocations must be re-structured.
 - ◆ Any funding allocation below \$100K requires informal bid and above \$100k requires RFP
 - ◆ County process:
 - ◆ CY 2024: Ad hoc committee to draft revised DSA program guidelines (including % allocations)
 - ◆ All sector allocations will need to be decided
 - ◆ Approval of expanded guidelines by EDC and BOS
 - ◆ CY 2025: Develop RFP for all sectors (Formal bid for \$100K or more)
 - ◆ Current sectors would be included in RFP process (Tourism, Film, Small Business, and Arts)
 - ◆ Staff recommendation to not fund new sectors below \$100K or 0.5% (~\$135K)
 - ◆ Issue, receive & score RFP - staff to present finalists to EDC for recommendation to BOS
 - ◆ CY2026: Staff presents to BOS for approval
 - ◆ Budget hearings May 2026 to include all agencies/organizations
 - ◆ New agencies/organizations to receive funds in FY26-27
 - ◆ Ad hoc committee is not recommending that the committee move forward with incorporating new sectors/organizations into the DSA program.

Funding Formula Recommendation



Organization	Nominal % TOT	10 Yr Average \$
Monterey County Convention and Visitors Bureau	6.00	\$1,305,729
Arts Council of Monterey County	1.98	\$422,287
Monterey County Film Commission	0.95	\$202,780
Monterey County Business Council	~ 0.5	\$103,663
Total % TOT for 3 of 4 organizations	8.93	for all 4 orgs

- Since the **DSA % of TOT at 8.93%**, and in order to include MCBC's % within this cap, other organizations would need to take a deeper cut to compensate
- Now MCBC is seeking a minimum \$160K to cover their procurement and small business development center programs
 - In a minimum TOT year of, say \$38M TOT, 160K is **0.42% of TOT**

Funding Formula Recommendation

DSA percentage changes

- The only fair path forward would be to reduce the other 3 organizations by **same fraction** to share the burden equally.
 - Eg, each of MCCVB,ACMC, MCFC all have their allocations reduced to roughly 95% of their former amounts
- Calculation(s):
 - Aim toward a total TOT fraction for DSAs ~8.93%, ie **a typical past year**
 - $8.93\% = 0.42\% + X * 8.93\%$; $X = 95\%$ of original allocations,
where $TOT = \$38M$, and $\$160K/38M = 0.42\%$
 - All four organizations limited to 8.93% of TOT therefore reducing 3 equally to accommodate the full \$160K the ad hoc determined would be needed for MCBC to run procurement programs and SBDC.
 - $8.93\% = 0.42\% + Y * 8.93\%$; $Y = 95.2\%$ of original allocations



Funding Formula Recommendation



DSA percentage changes (based on estimate of \$38M TOT)

- ◆ MCCVB (See Monterey):
 - ◆ Reduce current 6.0% by 0.28% to 5.72%
 - ◆ Reduction of \$106,400
- ◆ APMC (Arts4MC):
 - ◆ Reduce current 1.98% by 0.10% to 1.88%
 - ◆ Reduction of \$38,000
- ◆ MCFC (Film Commission):
 - ◆ Reduce current 0.95% by 0.04% to 0.91%
 - ◆ Reduction of \$15,200
- ◆ MCBC:
 - ◆ Allocate 0.42% in FY24-25 (*historically allocated a flat amount of \$100,000)
 - ◆ Allocation of \$159,600

Recommendations



◆ #1:

- ◆ Consider providing support for the revised Development Set-Aside (DSA) guidelines brought forth by the Ad hoc Committee and recommend to the Board of Supervisors for approval; and

◆ #2:

- ◆ Consider providing support for the revised funding allocation for DSA agencies and recommend to the Board of Supervisors for approval; and

◆ #3:

- ◆ Recommend that the Economic Development Committee direct staff to review economic development programs across the nation that are similar to DSA and return with findings at a future meeting.

Next Steps

- ◆ Economic Development staff to draft board report including recommendations supported by the Committee to the Board of Supervisors.
- ◆ Determine next available date for item to be taken to the BOS.
- ◆ Schedule a wrap-up Ad Hoc Committee meeting.

