



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: 24-320, **Version:** 1

- a. Consider approving the revised Development Set-Aside (DSA) guidelines; and
- b. Consider approving one of the three recommended options to revise funding allocations to the DSA Program.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Consider approving the revised Development Set-Aside (DSA) guidelines; and
- b. Consider approving one of the three recommended options to revise funding allocations to the DSA Program.

SUMMARY:

Program Background: The County of Monterey Board of Supervisors established the Economic Development Set-Aside (DSA) Program (Program) in 1985 to promote and expand tourism, economic and agriculture development and cultural art activities that strengthen and broaden the County's economic base. At the time, the Board designated the Monterey County Travel and Tourism Alliance (MCTTA), Economic Development Corporation of Monterey County (EDC), Monterey County Film Commission (MCFC) and the Cultural Council for Monterey County (CCMC) to serve as the County's partners to implement the Program. The Program underwent revisions in 1994, 2002-2006, and 2007 and involved multiple agencies. The most recent change introduced a formula-based, non-competitive funding approach, aiming to streamline funding and ensure cost-effective delivery of essential services supporting the County's economic development goals.

Current Program: The DSA Agencies are the Monterey County Convention and Visitors Bureau (MCCVB), Arts Council for Monterey County (ACMC), Monterey County Film Commission (MCFC), and Monterey County Business Council (MCBC) with agreement extensions for each DSA Agency until June 30, 2024. These fiscal year agreements provide funding for programmatic efforts which complement existing economic priorities of the Board of Supervisors strategic initiatives.

At the November 1, 2023 meeting of the Economic Development Committee (EDC), the committee elected to move forward with the following recommendations:

- A. Consider conducting a comprehensive evaluation of the Development Set-Aside (DSA) program, develop criteria, and review the 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; and
- C. Review the inclusion of additional organizations to the DSA program in the future.

On November 30, 2023, the Ad Hoc Committee met to evaluate and comprehensively review the Program, including background/history, criteria, workplans and reporting. A review of the draft guidelines and criteria was also conducted and some revisions were provided to staff to complete.

On December 18, 2023, the Ad Hoc Committee met and discussed the historical allocations by the Board of

Supervisors to each DSA Agency. Staff provided the committee with funding formula options for the Transient Occupancy Tax (TOT) as well as for individual DSA Agencies. The future of the Program was also discussed during this meeting and three (3) options were provided by staff to the committee to consider.

On January 31, 2024, the last meeting took place where the Ad Hoc Committee selected to move forward with the following recommendations to the EDC:

1. DSA Guidelines
 - Support for the revised Development Set-Aside guidelines brought forth by the Ad Hoc Committee and recommend to the Board of Supervisors for approval.
2. Individual DSA allocations
 - Recommend that the MCCVB be reduced by 0.28% to 5.72%, the ACMC be reduced by 0.10% to 1.88%, the MCFC be reduced by 0.04% to 0.91%, to allocate 0.42% to MCBC.
3. Future of DSA Program
 - Recommend that the Economic Development Committee direct staff to review economic development programs similar to the Development Set-Aside (DSA) program across the nation and bring back findings at a future meeting.

On February 7, 2024, during the EDC meeting the following recommendations were supported to route to the Budget Committee (BC) and Board of Supervisors:

1. Option #1
 - Individual DSA allocations
 - i. Recommend that the MCCVB be reduced by 0.34% to 5.66%, the ACMC be reduced by 0.11% to 1.87%, the MCFC be reduced by 0.05% to 0.90% in order to allocate 0.50% to MCBC.
2. Option #2
 - Increase to DSA allocations
 - i. Recommend that the overall allocation to the DSA program be increased from 8.93% to 9.19%; and
 - ii. Recommend that \$100,000 be moved from Transient Occupancy Tax (TOT) to the DSA fund.
 - iii. Recommend that the individual DSA allocations be revised to the following: MCCVB 5.84%, ACMC 1.93%, MCFC 0.92%, and MCBC 0.50%.

The EDC opted to approve a combination of both options and separate them into two actions. The first to recommend that MCBC be included in the DSA funding formula at 0.50% funded through a reduction to the current DSA Agencies. The second is to support the increase of the DSA allocation from 8.93% to 9.19% to capture the \$100,000 that was historically provided to MCBC outside of the DSA formula. This would add MCBC as a DSA Agency at 0.50%.

On March 28, 2024, Economic Development staff presented the two EDC recommended options to the BC and provided a timeline of previous EDC meetings where the Program was discussed as well as the creation of an Ad Hoc Committee and what was discussed during these meetings. The BC remained neutral and did not support either recommendation brought forth by the EDC. Instead, the BC directed staff to bring this item and recommendations to the Board of Supervisors during the Budget Workshop on April 2, 2024.

During the Budget Workshop staff presented a recommendation from the EDC to the Board for review and approval. The Board received the presentation and requested that staff work with the County Administrative Office (CAO) Finance to provide an option that would reflect the comments of each Board Member.

The three (3) options below have been developed through the EDC and County Administrative Office; staff recommends option #1:

1. Option #1 (staff recommendation)
 - Revised DSA allocations and inclusion of community projects
 - i. Recommend that MCBC be added as a DSA Agency and the DSA program be increased from 8.93% to 9.19% accounting for the \$100,000 in TOT funds currently being allocated to MCBC; and
 - ii. Recommend DSA and the MCBC remain static at FY 2023-24 amounts and the growth be used to fund other community -based organizations including Prunedale Senior Center, Shuman, Salinas Valley Promise, Salinas Soccer Sports Complex and other organizations as determined by the Board; and
 - iii. Recommend that the individual DSA allocations be revised to the following: MCCVB 4.66%, ACMC 1.47%, MCFC 0.71%, and MCBC 0.46%.
2. Option #2
 - Individual DSA allocations
 - i. Recommend that the MCCVB be reduced by 0.34% to 5.66%, the ACMC be reduced by 0.11% to 1.87%, the MCFC be reduced by 0.05% to 0.90% to add MCBC as a DSA Agency and allocate 0.50%.
3. Option #3
 - Increase to DSA allocations
 - i. Recommend that the overall allocation to the DSA program be increased from 8.93% to 9.19% accounting for the \$100,000 in TOT funds currently being allocated to MCBC; and
 - ii. Recommend that the individual DSA allocations be revised to the following: MCCVB 5.84%, ACMC 1.93%, MCFC 0.92%, and MCBC 0.50%.

If Option #1, which is staff's recommendation, is approved in FY 2024-25 each DSA Agency would receive the following amounts: MCCVB \$1,775,580; ACMC \$559,691; MCFC \$268,842; MCBC \$175,000; and \$720,861 would be set-aside for Community Projects. In addition, for FY 2024-25, community projects that have been identified for funding include: Prunedale Senior Center \$5,000; Shuman Heart House \$100,000; Salinas Valley Promise \$200,000; Salinas Soccer Complex \$200,000; and during the Budget Hearings the remaining funds (\$215,862) would be set-aside for supervisorial district projects.

If Option #2 is approved each of the DSA Agency would receive the following amounts in FY 2024-25: MCCVB \$2,284,417; ACMC \$753,857; MCFC \$361,699; and MCBC \$100,000; no set-aside would be included for community projects.

If Option #3 is approved each of the DSA Agency would receive the following amounts in FY 2024-25: MCCVB \$2,223,946; ACMC \$733,902; MCFC \$352,124; and MCBC \$190,000; no set-aside would be included for community projects.

DISCUSSION:

Staff is requesting that the Board of Supervisors review and support one of the three options presented to revise the Development Set-Aside (DSA) Program. The Economic Development Committee (EDC) has supported the

inclusion of the Monterey County Business Council into the DSA funding formula at 0.50% being funded by Transient Occupancy Tax (TOT). The Board directed staff to work with the CAO team to develop an additional option for review, which includes an allocation for community projects. If the recommended option is chosen, it would include an allocation for community projects.

OTHER AGENCY INVOLVEMENT:

Reviewed by County Counsel. Reviewed by CAO Finance.

FINANCING:

The proposed changes have no impact on the current FY 2023-24 Adopted Budget and any future impacts would be considered and incorporated into FY 2024-25 budget development.

Prepared by: Isela Sandoval, Management Analyst II, 7214

Reviewed by: Richard Vaughn, Economic Development Manager, 5602

Approved by: Deborah Paolinelli, Assistant County Administrative Officer, 5508

The following attachments are on file with the Clerk of the Board:

Draft DSA Program Guidelines

DSA Program Guidelines Redlined

ED Committee Report 2.7.2024

Budget Committee Report 3.28.2024

PowerPoint