

# County of Monterey Economic Development



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Economic Development Manager

# 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
<b>Total % TOT for 3 of 4 organizations</b>	<b>8.93</b>	<b>for all 4 orgs</b>

- 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.

