



Meeting Date: 07/19/11

ACTION	TYPE OF ITEM
<input type="checkbox"/> Approved Recommendation	<input type="checkbox"/> Info/Consent
<input type="checkbox"/> Ord. No(s). _____	<input checked="" type="checkbox"/> Report
<input type="checkbox"/> Res. No(s). _____	<input type="checkbox"/> Public Hearing (Info/consent)
<input type="checkbox"/> Other _____	<input type="checkbox"/> Other _____

Prepared By: Kymerly Horner *kh*

Item No. 0-1

Reviewed By: City Manager *[Signature]*

City Attorney *[Signature]*

Finance *[Signature]*

Other (Specify)

DATE: July 13, 2011

TO: City Council

FROM: Edmund Sotelo, City Manager
City Manager's Office

Curtis P. Cannon
Community Development Director

SUBJECT: Economic Development Corporation of Oxnard ("EDCO")

RECOMMENDATION

That the City Council receive the follow-up information pertaining to the functions of EDCO as requested at the City Council meeting held on June 28, 2011 and provide direction concerning the future involvement of EDCO in the economic development activities of the City of Oxnard.

DISCUSSION

On June 28, 2011, a report was presented to City Council related to the future involvement of EDCO in the economic development activities of the City. Council requested additional information be provided before action, if any, would be taken related to the feasibility of reinstating the Economic Development function to the City, maintaining the current arrangement with EDCO, or implementing an alternative plan.

Attachment #1 is a list of questions asked by Council along with responses from City staff and EDCO staff and are identified accordingly. One very important question was raised by the City Council concerning the ability of the Community Development Department to undertake economic development functions. An analysis was performed to identify the cost associated with providing economic development functions to the City, in-house. Staff estimates that if these functions were performed by an Economic Development Specialist; a similar position to a Redevelopment Project Manager, with the potential addition of a support staff assistant, the increase to the City to provide basic economic development services would be approximately \$76,120 per year. This cost estimate does not include \$50,000 in funding from the Federal Government's Community Development Block Grant ("CDBG") Program allocated to the City for FY 2011-2012.

A multitude of opportunities exists where a number of City departments could assume the economic development functions provided by EDCO. In the event that EDCO separates from the City, EDCO is proposing to form a PBID (Property Based Improvement District) to fund economic development activities, which would be focused on the industrial/office areas of the City. The first question in Attachment 1, provided by EDCO explains this plan in more detail.

Below are additional options the City Council may consider with respect to the economic development functions.

CITY COUNCIL OPTIONS

1. Maintain current arrangement with EDCO.
2. Opt out of the contract providing six (6) months notice.
3. Reinstate the Economic Development function to the City.
4. Discussion of potential phase out of City contribution.
5. Combination of more than one option.
6. City Council consider funding EDCO for an additional six months in FY 2011-2012, at which time an analysis/evaluation will be done to assess the City's ability to provide economic development as a departmental function.

FINANCIAL IMPACT

The annual City contribution to EDCO is budgeted at \$255,500; \$152,588 of that is allocated from the City's General Fund and \$102,912 from Community Development. If the City were to take on economic development functions at the estimated cost of \$331,620 per year, the increase to the City would be \$76,120 per year. This model assumes that the Community Development Department and the City would collectively allocate funds to economic development function in the same format they are currently supporting an outside agency to perform these functions. This analysis does not include the City's allocation of \$50,000 CDBG Funds from the Federal Government.

Attachment #1 – Response to Questions from Councilmembers

Response to Questions from Councilmembers

June 28, 2011

Q: Can EDCO develop a plan to operate without City funds within a year?

A: Answer Provided by EDCO

The EDCO Board has heard and concurred with the outline of a plan to operate in the absence of any City funding. It entails creating a new Property-Based Improvement District ("PBID"), similar in concept to the Oxnard Downtown Management District for the downtown, but would be focused on the industrial/office areas of the City. This new Industrial Business Improvement District, or IBID, would operate a program of services for the benefit of the land owners and companies located in the business parks of the City, and other areas with similar zoning. It would be funded through a self-assessment of the owners and tenants, and that assessment amount would include funds to support EDCO as the management entity for the IBID.

Given the amount of time needed to first develop a program of services that matches the real needs of the properties and companies in the business areas of the City, and then to mount an education / marketing campaign to convince the property owners and/or tenants of the value of the program to the extent that they would voluntarily agree to an assessment on their properties, EDCO optimistically looks at a year's timeframe as necessary to set the groundwork for an enabling election to be held next spring, to allow for a start-up of the IBID and its funding stream by July 1 of 2012.

This plan, while it would secure the financial future of EDCO, would still leave open the question of what the City will do about its general economic development needs. If EDCO were funded exclusively through the IBID, it would be legally bound to operate only in the context of the IBID program, i.e., providing services beneficial to the owners and businesses which fund the IBID. That would leave the broader economic development goals and activities of the community unattended, unless the City were to start up a new and separate ED function, or unless the City were to retain a contract for specified services with EDCO, which would then allow EDCO to devote a portion of its time to these broader needs of the community.

Q: Is anyone in Community Development doing economic development?

A: Answer Provided by City Staff

Community Development staff currently works on the retail aspect of economic development. The major projects that directly provide an economic benefit to the City overseen by Community Development include: converting the Esplanade, an underperforming in-door shopping center into a 500,000 square foot regional power center, bringing Fry's Electronics to the City, oversight of the commercial, retail and residential aspects of the RiverPark development, the recruitment and retention of the

City's auto dealerships, oversight of the redevelopment of Wagon Wheel, and City-wide retail recruitment.

Q: Does Community Development help to fund EDCO?

A: Answer Provided by City Staff

Tax increment revenues are the funding source used by Community Development to provide annual funding to EDCO. Community Development's annual payment to EDCO is \$102,912.

Q: Is Community Development able to handle economic development function?

A: Provided by City Staff

Many cities combine Community Development, Redevelopment and Economic Development under one department. A multitude of opportunities exists where a number of City departments could assume the economic development functions provided by EDCO.

Q: How much time would be needed to reorganize staff?

A: Provided by City Staff

At a minimum, it would take 4-6 months to reorganize staff if the function was to be a part of Community Development. In addition to the City's hiring practice, the reorganizing would require the new manager and staff time to develop and implement goals, objectives, policies, procedures and work standards for the economic development function that are in alignment with the City's vision, goals and objectives.

Q: Would current staff be able to assume responsibilities of economic development?

A: Provided by City Staff

Community Development would need an additional project management (Economic Development Specialist) position and preferably a support staff position, to assume the economic development function. However, a multitude of opportunities exists where a number of City departments could assume the economic development functions provided by EDCO.

Q: What would be the cost to do economic development?

A: Answer by EDCO

The annual cost is estimated at \$530,000 (see breakdown of estimated costs).

Q: What would be the cost to do economic development?

A: Answer by City Staff

Cost Analysis as Determined by City Staff

The annual cost is estimated at \$331,620 (see breakdown of estimated costs).

Assumptions: This analysis assumes that City staffing would consist of a high level Economic Development Manager, taking on the functions of economic development, similar to a Redevelopment Project Manager administering the functions of a redevelopment activities, projects and programs. Additionally a full-time Support Staff person is included in this model. Additional expenses were included to provide for marketing expenses and economic development conferences similar to those incurred by the Community Development Retail Recruitment Retail Retention program. The Table 2 on the following page demonstrates how City staff arrived at the numbers in Table 1.

Table 1 City Staff Cost Analysis:

	<u>CITY COST INTERNAL</u>
Staff	\$255,000
Overhead and Hard Costs	\$56,620
Total Gross Cost	\$331,620
Private Sector Support	\$ 0
Net City Cost	\$331,620
Current EDCO Budgeted Amount	(\$255,500)
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Increase cost to the City	\$76,120

The annual City contribution to EDCO is budgeted at \$255,500; \$152,588 of that is allocated from the City's General Fund and \$102,912 from Community Development. If the City were to take on economic development functions at the estimated cost of \$331,620 per year, the increase to the City would be \$76,120 per year. This model assumes that the Community Development Department and the City would collectively allocate funds to economic development function in the same format they are currently supporting an outside agency to perform these functions. This analysis does not include the City's allocation of \$50,000 CDBG Funds from the Federal Government.

Table 2

Breakdown of Estimated Costs for Internal Economic Development Function		
Personnel Services		\$ 255,000.00
Economic Development/Project Manager		157,300*
Support Staff		97,700*
Subtotal Salaries	\$ -	\$255,000.00
Operating Expenses		\$ 76,620.00
Materials and Supplies	\$ 4,640.00	
Contracts and Services	\$ 14,950.00	
Maintenance Services and Marketing	\$ 32,780.00	
Other Office Expenses	\$ 6,850.00	
Fixed Charges (ie. Space Rental)	\$ 17,400.00	
Subtotal Operating	\$ 76,620.00	
Total Estimated Cost to City		\$ 331,620.00

*** Represents Salary and Benefits**

Q: What would be lost if the City assumed the economic development function?

A: Answer Provided by EDCO

First and foremost there would be the \$250,000 - 300,000 per year of private sector support now being contributed to the economic development cause, which would have to be replaced by City funding.

The second asset lost would be the competitive advantage now enjoyed by Oxnard over other cities in the county, specifically because of the City - EDCO partnership effort in economic development that our competitors point to as the model structure.

The third asset lost would be the expertise, experience, local knowledge, and City organizational knowledge of the EDCO staff currently carrying out economic development activities for the benefit of the City.

The fourth asset lost would be the strategic flexibility of having a private-sector "arm" available to deploy when beneficial to do so. On some occasions, face-to-face interactions between City and business are the best approach; on others, there is benefit in working through an intermediary. Now, both options are available to the City. With EDCO out of the picture, the options are gone.

Q: What are the salaries of EDCO staff

A: Provided by EDCO

Below is a spreadsheet EDCO staff salaries for FY 2010-2011 and FY 2011-2012 provided to City staff by EDCO

Following is EDCO's payroll breakdown for FY 2010-2011:

Employee	Current	Ins./Taxes & Pension	Total	Admin. Support	Business Services	Investor Services	Mktg/ Comm.	Resource Develop.	Downtown Bus. Development	TOTAL
President	\$145,000.00	\$37,789.90	\$182,789.90	\$0.00 0%	\$91,394.95 50%	\$18,278.99 10%	\$9,139.50 5%	\$16,451.09 9%	\$47,525.37 26%	\$182,789.90 100%
Vice President	\$105,000.00	\$17,377.50	\$122,377.50	\$6,118.88 5%	\$91,783.13 75%	\$0.00 0%	\$6,118.88 5%	\$0.00 0%	\$18,356.63 15%	\$122,377.50 100%
Support Staff	\$47,500.00	\$15,983.75	\$63,483.75	\$22,219.31 35%	\$19,045.13 30%	\$4,443.86 7%	\$5,078.70 8%	\$0.00 0%	\$12,696.75 20%	\$63,483.75 100%
TOTAL	\$297,500.00	\$71,151.15	\$368,651.15	\$28,338.19	\$202,223.20	\$22,722.85	\$20,337.07	\$16,451.09	\$78,578.75	\$368,651.15

Following is EDCO's payroll breakdown for FY 2011-2012:

Employee	Current(Incl/Vaca cash-in 2 wks)	Ins./Taxes & Pension	Total	Admin. Support	Business Services	Investor Services	Mktg/ Comm.	Resource Develop.	Downtown Bus. Development	TOTAL
President	\$145,000.00	\$48,792.50	\$193,792.50	\$0.00 0%	\$96,896.25 50%	\$19,379.25 10%	\$9,689.63 5%	\$17,441.33 9%	\$50,386.05 26%	\$193,792.50 100%
Vice President	\$105,000.00	\$17,377.50	\$122,377.50	\$6,118.88 5%	\$91,783.13 75%	\$0.00 0%	\$6,118.88 5%	\$0.00 0%	\$18,356.63 15%	\$122,377.50 100%
Support Staff	\$47,500.00	\$15,983.75	\$63,483.75	\$22,219.31 35%	\$19,045.13 30%	\$4,443.86 7%	\$5,078.70 8%	\$0.00 0%	\$12,696.75 20%	\$63,483.75 100%
TOTAL	\$297,500.00	\$82,153.75	\$379,653.75	\$28,338.19	\$207,724.50	\$23,823.11	\$20,887.20	\$17,441.33	\$81,439.43	\$379,653.75

Q: How many jobs were created by EDCO last year?

A : The attached spreadsheet was provided to City Staff by EDCO for 2010-2011

2010-2011

Company Name	# of Emp.	Type of Business	Exp.	Relo.	Reten.	New
Robert Garcia Boxing Academy	3	Boxing Academy	X			
Innovation Machining & Engineering	4	Engineering Firm (soils)	X			
Hfong inc	7	Furniture Retail		X		
Wagner Creative Group	7	Graphic Design/Commercial Printer		X		
Clinicas Del Camino Real	10	Medical Office	X			
Ventura Orthopedic	25	Medical Office		X		
Northrop Grumman	60	Mfg. - Aerospace	X			
Calsun	150	Mfg. - Food Products	X			
Nava Enterprises	10	Mfg. - Food Products	X			
Motion Therapeutics	18	Mfg. - Medical Equipment		X		
AMB Machine Shop	4	Mfg. - Metal Fabrication		X		
IDP	5	Mfg. - Aerospace and Biomedical Industry		X		
Cemex	35	Mfg. - Cement Products	X			
Highwave	5	Mfg. - Consumer Products		X		
Deardorff-Jackson	200	Mfg. - Food Products	X			
Nutiva	28	Mfg. - Health Foods		X		
Advanced Bellows	5	Mfg. - Metal Expansion Joints		X		
Intrimed Technologies	25	Mfg. - Precision Medical Equipment		X		
Diversified Mineral	25	Mfg. - Specialized concrete	X			
Lujan Transport Inc	15	Packing Material	X			
Charter College	25	Private College	X			
Laurus College	12	Private College		X		
Devry University	25	Private University		X		
Rincon Recycling	25	Recycling	X			
SA Recycling	30	Recycling	X			
VW Emission Testing Laboratory	65	Research & Development - Green Development		X		
Tacos Don Chente	15	Restaurant				X
Casa Pueblo	6	Restaurant - Downtown				X
Sugarbeets Restaurant	12	Restaurant - Downtown	X			
The Kitchen	8	Restaurant - Downtown				X
Cal Coast Machinery	28	Retention	X			
Primetime Storage LLC	5	RV Storage and Customization			X	
California Solar	15	Solar Panels		X		
Waggoner's Trucking	30	Trucking Company	X			
All American Car Care Products	5	Warehouse - Distribution Car Care Products		X		
Habitat for Humanity	4	Warehouse and Restore		X		
Event Rents	10	Warehouse Distribution		X		
T&A Carpet Cleaning Technology	5	Warehouse of Carpet Cleaning Equipment				X
Sinclair Sanitary Supply	10	Warehouse/Distribution Cleaning Supplies				
Harris Water Conditioning Inc.	60	Water Conditioning		X		
Montage Vineyards	3	Winery				X
Total Jobs	1039					

Q: How many jobs were created by EDCO in a previous year?

A : The attached spreadsheet was provided to City Staff by EDCO for 2009- 2010

2009-2010

Company Name	# of Emp.	Type of Business	Exp.	Relo.	Reten.	New
A Little Piece of Heaven	3	Bakery				X
Accurate Precision Services	5	Mfg. - HVAC Systems		X		
Agromin	40	Mfg. - Specialized Soil	X			
B.G. Solutions	3	Construction		X		
Cafe Amri	10	Restaurant				X
California Solar	20	Solar Equipment Distribution		X		
Calpine Containers Inc.	10	Mfg. - Wire Bound Boxes		X		
Cloudburst Inc.	25	Mfg. - Cooling Systems		X		
Coastal Biproducts	5	Processor - Recycling Vegetable Oil		X		
Consolodated Precision Products	40	Mfg. - Steel		X		
Cool River Pizza	15	Restaurant				X
Del Pinto Tile	7	Distribution - Tile		X		
DMI	35	Mfg. - Cement Countertops Products	X			
Faith Auto Body	5	Auto Body	X			
Flash Electric Gate Systems	5	Warehouse Distribution Automated Gates		X		
Gills Onions	200	Mfg. - Food Products	X			
Kings Produce	10	Mfg. - Food Products	X			
Leading Industries	100	Mfg. - Food Storage Containers	X			
Magna Vino Winery	5	Winery				X
Octavio's House Decor	5	Warehouse Distribution	X			
Royal Arms International	30	Mfg. - Military Equipment		X		
Schosche Incorporated	65	Mfg. - Auto Aftermarket Products	X			
The Artist Canteen	5	Art Gallery		X		
Turning Point Foundation	15	Social Services Office		X		
Whitaker Construction Group	10	Construction	X			
Zmark	12	Plumbing Distribution and Warehouse		X		
Total Jobs	685					