Growing Thriving Rural Economic Development Corporations

California Association for Local Economic Development

USDA Rural Development

Committed to the future of rural communities.

April 2011

Value of Economic Development Corporations

Economic development is about building diverse and dynamic economies in order to have healthy communities. It is commonly defined as the activities that facilitate the creation of new businesses, the expansion and retention of existing businesses and the attraction of new businesses to an area. Quite simply, economic development facilitates job creation – a key driver of the economy and the backbone of a community.

EDCs cover every part of the state in some form or fashion. While many cities and counties have economic development departments and staff to help achieve these goals, that is not always the case in smaller, rural areas. In rural communities, where the issues are unique, resources are limited and often times so are staff, EDCs play an even larger role in delivering services to businesses, entrepreneurs and community residents. In addition, they facilitate essential strategic relationships and economic partnerships with investors and neighboring communities.

Recently a study by the USDA Rural Development Program in California[1] identified economic development policy and program delivery needs for rural California, and EDCs were key players in meeting these needs. In fact, EDCs are believed by many to be in the best position to address the delivery of economic development services over the long-term. EDCs engage in a wide range of programs that provide significant benefits to local communities in the form of:

- Increased tax base with a strong, diversified economy
- Workforce development and skilled job training
- Investment in infrastructure
- Retention of existing businesses and recruitment of new businesses
- Management updates on economic health of community
- Lending and other financial services for small businesses
- Technical assistance

Given that EDCs are complex, dynamic systems of people, processes and organizational structures, a holistic systems approach is the best way to assess how all parts of an EDC influence their "value proposition." Regardless of the size of an EDC, they all have the common elements of a high functioning "system" in that the results of their efforts are greater than the sum of the parts. This report highlights the essential elements of a thriving, sustainable[2] EDC business model and is organized around the value proposition framework.

We believe that rural EDCs are important players in developing strong, diverse economies and that the information in this report will help them not only be sustainable but to thrive.

1 Humiston, Glenda, Dr., USDA Rural Development, "Jobs, Economic Development, and Sustainable Communities: Strategizing Policy Needs and Program Delivery for Rural California," February 9, 2010.

2. Caled defines sustainable for the purpose of this report as an organization that is economically viable and self-sustaining into the future while achieving its organizational goals.

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Executive Summary

In a show of continued support to California's rural Economic Development Corporations (EDCs), the United States Department of Agriculture-Rural Development awarded the California Association for Local Economic Development (CALED) a grant to identify a sustainable business model for these EDCs. A business model that is successful, sustainable and effectively drives regional economic development is absolutely vital to the health of our communities and State. As public funding wanes and the California economy struggles, this report offers recommendations and identifies effective, scalable best practice models of growing rural economies, supported by sustainable, thriving EDCs.

The State of California plays a leading role in the global economy and rural communities are an important element of the State's economic vibrancy. The characteristics of rural communities in California are diverse due to the widely varied landscape, geography, demographics and natural resources. Rural communities provide uncompromised economic support to the massively productive urban regions of the State. It is therefore essential that the EDCs supporting California's rural communities adopt a sustainable business model. The ultimate goal of this report is to present policy recommendations for EDCs to help them thrive and identify a suite of services that they can use to reduce costs.

Certain progressive rural EDCs are models for sustainable best practices and are prominently featured in the recommendation and model practice discussions. In addition, best practices can be found in shared service based organizations such as the Tides Foundation, which acts as an example for CALED to provide services for EDCs.

Core to the success of sustainable EDCs and best practice models such as Tides is strong leadership. This is essential to the sustainability of an EDC and its impact on the community. When an EDC has a strong leader in place, the following four essential elements for success are more easily achieved;

1. Effective operations resulting in improved EDC efficiency and effectiveness;

2. Diversified funding streams that help stabilize and broaden the EDC's financial base to insulate it from economic downturns and political changes;

3. Regional collaboration that can position EDCs for partnership opportunities to leverage resources; and

4. Advocacy for the State's role in economic development that

addresses the unique needs of smaller communities and rural areas.

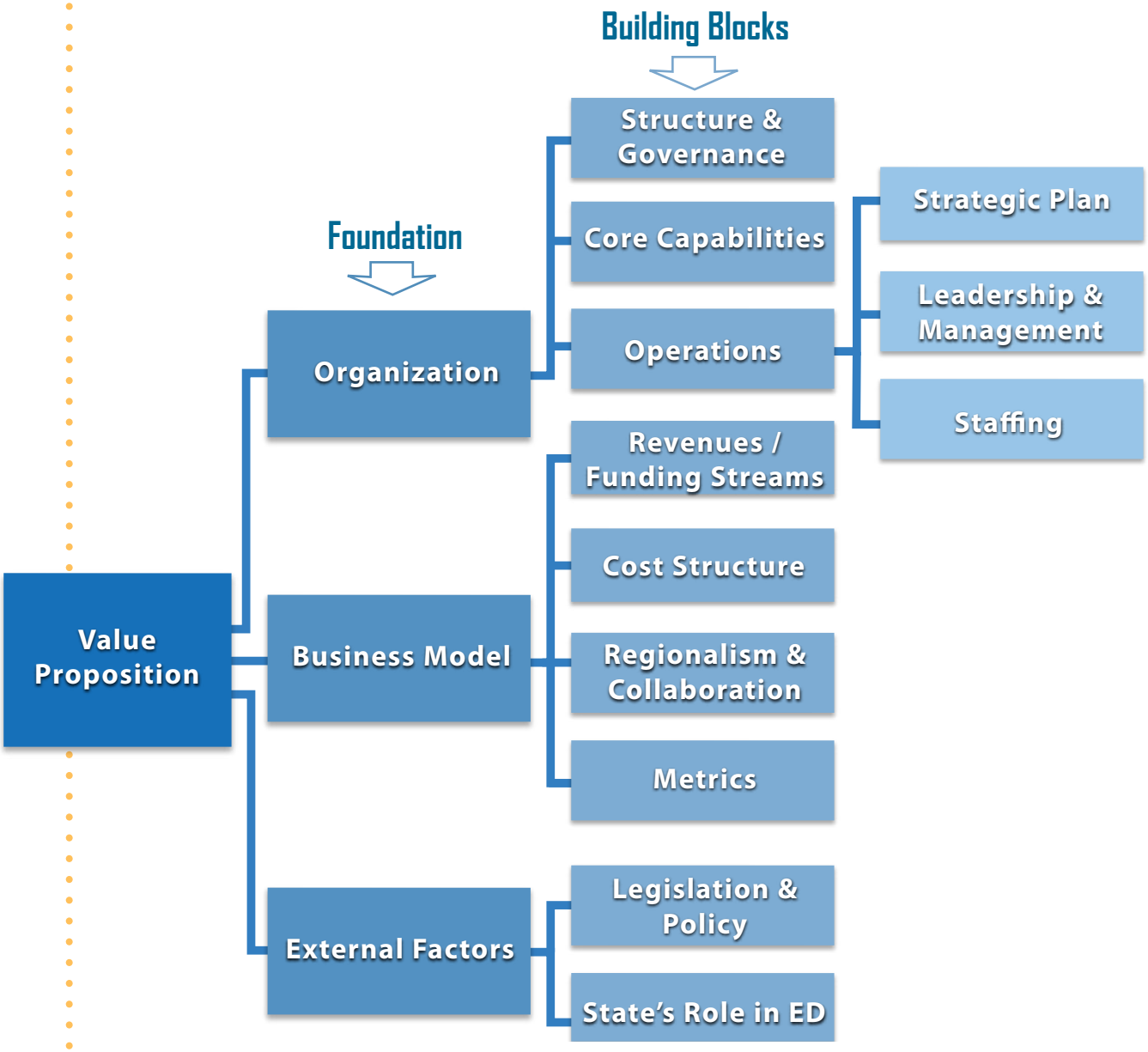
The interrelationship between these four essential elements of a sustainable EDC business model can be viewed as follows:

Essential Elements of a Sustainable EDC Business Model

This report also explores possible solutions and cost savings for EDCs. We investigate how CALED might play a role as a shared services provider similar to Tides and the Sierra Business Council (see Appendix B for full Business Model study.) This study helps us determine if CALED can adopt a similar role of shared services provider in the business plans of rural EDCs.

In addition, we examine the building blocks of a framework focused on an EDCs value proposition. We do this by showcasing existing best practice models, exploring new roles and policy agendas and summarizing them into recommended actions for a sustainable EDC business model.

Value Proposition Framework



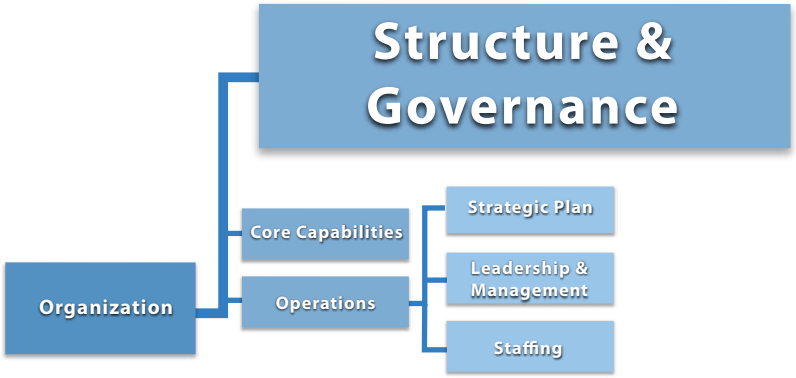
In this framework, the EDC's value proposition is derived from the organizational structure, the operating business model and external factors outside of their immediate control. This foundation is composed of building blocks which impact the overall value proposition. Each of these play a role in the sustainability of the EDC, although as indicated in the model, a weakness in a key link such as strong visionary leadership can have a serious impact on the overall value proposition. In this report findings and recommendations are presented for each building block.

I. Value Proposition Framework of an EDC

A. Organization

Within the organization context of the framework, structure and governance of an EDC refers to the legal organization of the EDC and the mission and policy around which it is formed.

i. Structure & Governance



An EDC may be structured as a public entity (city or county agency, or joint powers authority), a non-profit corporation, or as a for-profit corporation. The majority of EDCs in California are structured as independent non-profit public-private partnerships with member investors from both the public and private sectors. This provides flexibility for funding opportunities and activities.

The governance of an EDC is dictated by its mission and policy. Typically, an EDC's mission is focused on two key roles; provide leadership in policy-making and administer policy, programs, and projects. A number of EDCs have a limited purpose as part of their mission statement and bylaws that restrict their activities and funding sources. The primary purpose or mission of an EDC should be broadly defined so as not to limit its scope of services, activities, or funding sources.

The type of legal structure depends in part on the EDC's purpose or mission. The most common EDCs in California have been formed as non-profit corporations organized as a tax exempt entity under the

Internal Revenue Code (IRC) as either a 501(c) 6, a 501(c)3 charitable organization or a 501(c) 4. The differences in these organizations are outlined in the chart entitled "Organization Structures for EDCs." In forming an EDC, the organizers can vary and may include local governments, chambers of commerce, local business leaders or utility companies.

In addition to EDCs, there are also other organizations involved in economic development, outside the scope of this report. They include utilities, Workforce Investment Board, colleges, chambers of commerce, and foundations.

Organization Structures for EDCs

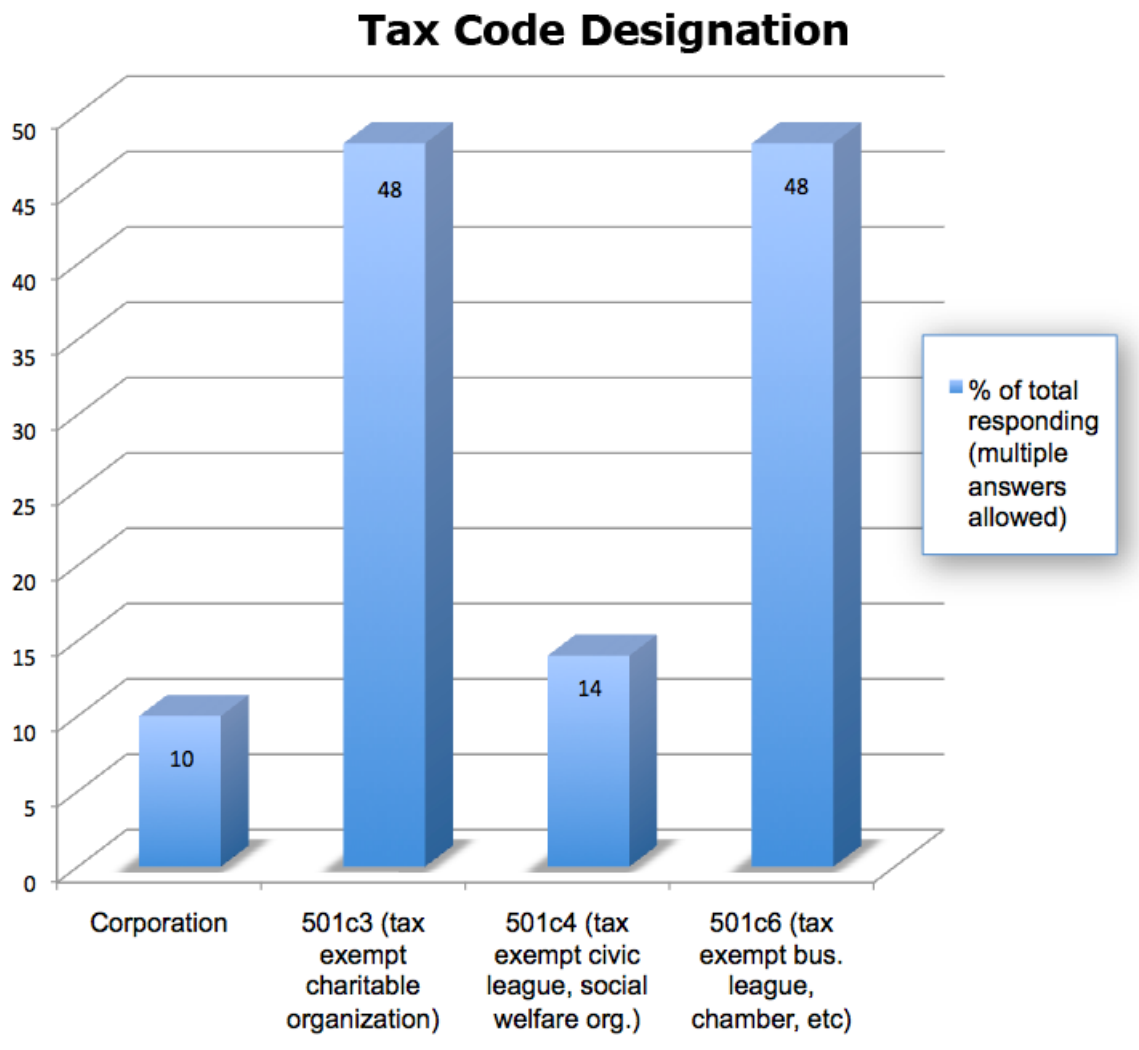
Organization Structure	Organization Purpose	Examples of Funding Eligibility / Or Sources	Examples/ other notes
501(c) 3	Charitable organization	Public support Private foundation funding Must prove that it operates exclusively for charitable purposes	Charitable status may limit the types of activities
501(c) 4	Promoting common good and welfare of community	Business loans to alleviate unemployment Low income housing redevelopment	Contributions generally not deductable Must engage in substantial non-exempt activities
501(c) 6	Association not engaged in for profit activities – activities directed to improvement of general business conditions.	Membership dues (must be at "meaningful" level) Non-member sources	Chamber of Commerce Business League or Association

Based on the survey conducted for this report (complete survey included in Appendix D), most EDCs in California fall within one of three types of legal structures. The majority are organized as business associations

(501(c) 6) under the Internal Revenue Code, one-third as a charitable organization (501(c) 3), and the remaining 15% are organized as a social welfare organization (501(c) 4) or a Joint Powers Authority (JPA).

A JPA is an advantageous organization structure in difficult economic times because it is a partnership between two or more entities that may be a city, county, public utility or special district. The advantage is that both entities do not have to fund identical (and often competing) agencies and the funding "agencies" understand the need for more property and sales tax revenue. A 501(c) 3 or (c) 6 can be at the mercy of the economy because in lean times funding for memberships and charitable donations are often cut.

Survey respondents indicated their organizational structure as follows:



Keys to Success

While each of these organizational structures has its advantages and limitations, the choice of structure is not necessarily a factor in the success or failure of an EDC. Some EDCs have had significant successes with the various types of entities identified above, while others have run into difficulties using the same structure. As stated earlier, success is determined by a combination of factors including strong leadership, diversified funding streams and collaborative efforts.

However, the entity type does affect the types of activities and funding sources available to an EDC. Selecting the appropriate legal form therefore is important so as not to be restrictive. An EDC's purpose and mission statement also should be broadly defined allowing it to engage in a variety of activities and access multiple funding sources.

Recommendations

Mission Statements and Bylaws	EDCs should review their mission statements and bylaws to make sure that they are broad and inclusive instead of narrowly defined with a limited purpose. This will also help to expand the number of potential investor members and funding sources.
Entity Legal Structure	The legal structure should be organized to enable funding diversification from both public and private sector contributions.

Model Practices

The characteristics of EDCs in California are as varied as the geography, landscape and demographics. Each organization tends to think about economic development in slightly different ways. Some EDCs have a broad view of the economy and take on responsibilities relating to business attraction, tourism and workforce development. Other EDCs focus their efforts entirely on industrial, commercial or residential development or small business loans. Broad economic development strategies include:

- Attraction of New Basic Employers in manufacturing, non-manufacturing, and non-local government sectors. Efforts in this area tend to include the creation of promotional literature, attending trade shows, participating in state promotional efforts, and building infrastructure for new employers.
- Retention and Expansion of Existing Businesses by improving the efficiency and productivity of existing firms. Strategies include assisting with the procurement of job training funds, sponsoring business seminars, business loan programs, and promotion of industry clusters. This would also include capturing local dollars by focusing on retaining retirement income in the community, increasing the amount of purchases made locally, providing more services locally, etc.
- New Business Formation strategies that encourage and assist entrepreneurs forming new businesses and responding to the changing needs of the community and economic trends. Activities might include development of investment capital networks, revolving loan funds, creation of incubators, and providing management and professional business service assistance.

The more successful EDCs typically employ several model practices that include multi-jurisdiction/agency, broadly defined mission statement, broad scope of services, and diversified funding sources. Several EDCs reflect these model practices including:

Multi-jurisdictional/Agency

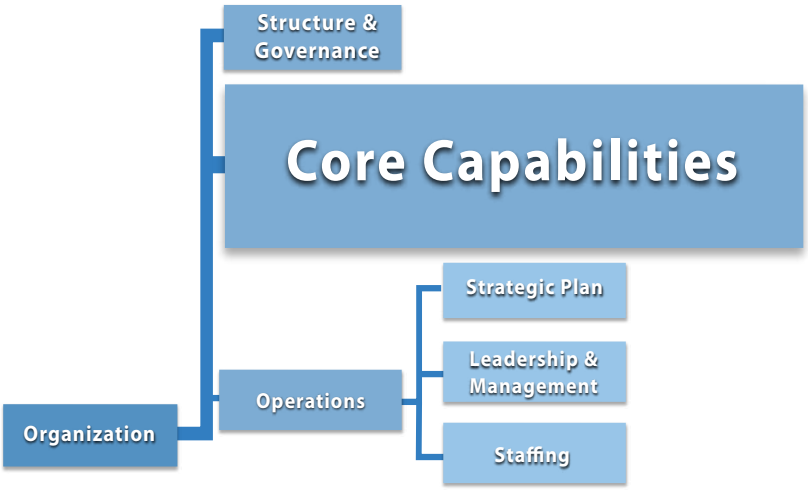
501(c)3 - Yuba-Sutter EDC
501(c)6 - Stanislaus Economic Development and Workforce Alliance
501(c)3 and JPA - Tuolumne County EDA and Economic Prosperity Council

Broadly Defined Mission Statement

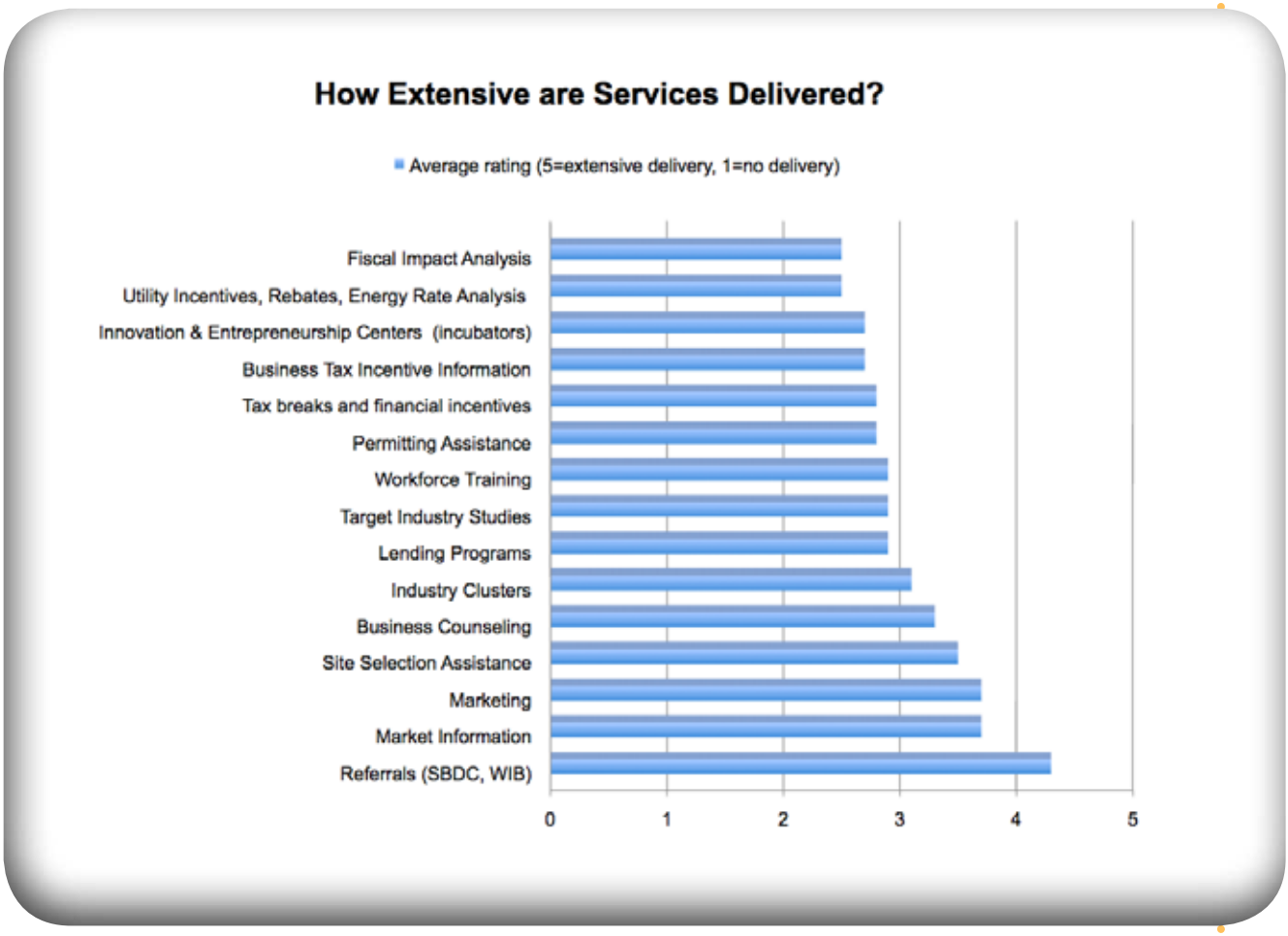
501 (c) 4 - Merced EDC
"MCEDCO's mission is to facilitate regional wealth generation and community prosperity through new employment, increased investment, and diversification of the Merced County economy. The primary focus is to encourage economic activity through retention and expansion of existing businesses, recruitment of new enterprises and encouraging entrepreneurs and small business start ups."

501 (c) 6 - Fresno EDC
Mission: To establish Fresno County as the premiere location to expand and grow core industries.
Vision: To be recognized as The Essential Connection for expanding economic development in Central California.
Strategy: This will be accomplished by assisting business expansion, attraction, and retention through our alliance with collaborative partners and resources.

ii. Core Capabilities



The types of services offered by EDCs vary widely depending on size or organization, partnerships and geographic location. While some EDCs perform a broad variety of services many have a more limited scope. In this section, we will look at key services offered by EDCs and make recommendations on how to improve those services and add others to the list. In the survey question, "to what extent does your organization deliver the following technical assistance" (where 1 is no delivery and 5 is extensive delivery), the following answers were tabulated:



The key services identified in the survey were as follows:

Referrals to Other Local Business Services – The most common technical assistance provided by the EDCs surveyed includes referrals to other local business services. This is an important indicator of collaborative efforts at the local level. Developing a strong network of referral contacts is key to promoting local businesses and capitalizing on funding opportunities from agencies such as Workforce Investment Boards.

Economic, Demographic, Market Information and Marketing – The function of EDC marketing is to attract business, industry and visitors both within and outside of the EDCs geographic boundaries. The typical marketing activities for an EDC include print advertising, website development, community outreach, events, promotions, trade missions and other media placement. Depending on the structure of the organization, additional activities may be focused on tourism promotion or lending. In the California EDCs surveyed, we noted a diverse mix of marketing approaches slanted toward traditional approaches. While all of the EDCs surveyed had active websites, web and social media strategies were decidedly under utilized. For example, of the 39 EDC directors and affiliates included in our interview candidate list, only 20 had LinkedIn profiles and of those, many were inactive. LinkedIn is viewed by many as a powerful professional network of trusted contacts that can be a valuable asset for EDCs looking to connect to partners, leaders and attract business. The social media site Facebook also provides a robust platform for active networking. Of the 39 EDCs on the interview candidate list, only five had Facebook fan pages. The most effective California based page identified in our research was for Plumas County Visitor's Bureau that is part of the Plumas EDC and has 552 fans.

Website, Use of Technology and Site Selection - While some EDC websites were static and un-engaging, the most effective websites were attractively designed to draw the user in, and included advanced features such as success stories from businesses, loan programs and applications, training opportunities, event postings and GIS mapping. Increasingly websites are used to facilitate site selection. In follow up interviews with EDC directors, many interviewees had no idea what their website statistics nor were they were engaged in social networking of any kind.

Business Counseling and Workforce Training – Money for business counseling and workforce training comes from multiple sources including; federal grants, Workforce Investment Boards (WIB), and

private grants. The problem with much of the grant money is that it has very restricted uses.

Keys to Success

Based on phone conversations with successful EDC directors, survey responses, and research, the three most important services are marketing (including site selection), use of technology, and training.

Marketing – The keys to success for EDC marketing are to effectively showcase a region's competitive assets and to obtain government support for investment attraction. This requires first developing a clear message about the opportunities of the region and then communicating both to the business community and to potential investors and location advisors. The local business community must be aware of the message because they are the best ambassadors available. Potential investors must be aware because they provide the funding and financial support to expand economic development. Location advisors are the low hanging fruit in the equation – it is their job to bring opportunities to investors and prospective companies. Successful EDCs build strong relationships with location advisors through familiarization tours, special events, tradeshows, personal visits and social networking.

According to research by the International Economic Development Council, (IEDC) business executives consider Internet/Website to the most effective marketing technique[3]. The survey has been conducted regularly since 1996 and the recent results indicated a marked shift in preferences. The key point of this study is the importance of a strong website and personal relationships in the marketing efforts for an EDC. Based on the IEDC's study, 64 percent of respondents indicated that an EDC's website is the most important source of information in a site location search. Secondly, 54 percent of the executives surveyed indicated that planned visits to businesses and corporate executives as an important tool for influencing perceptions of an area's business climate. Traditional advertising and direct mail were not nearly as effective as digital and in-person communications.

3 International Economic Development Council EDNow September 8, 2008 Volume 8 / Issue 17.

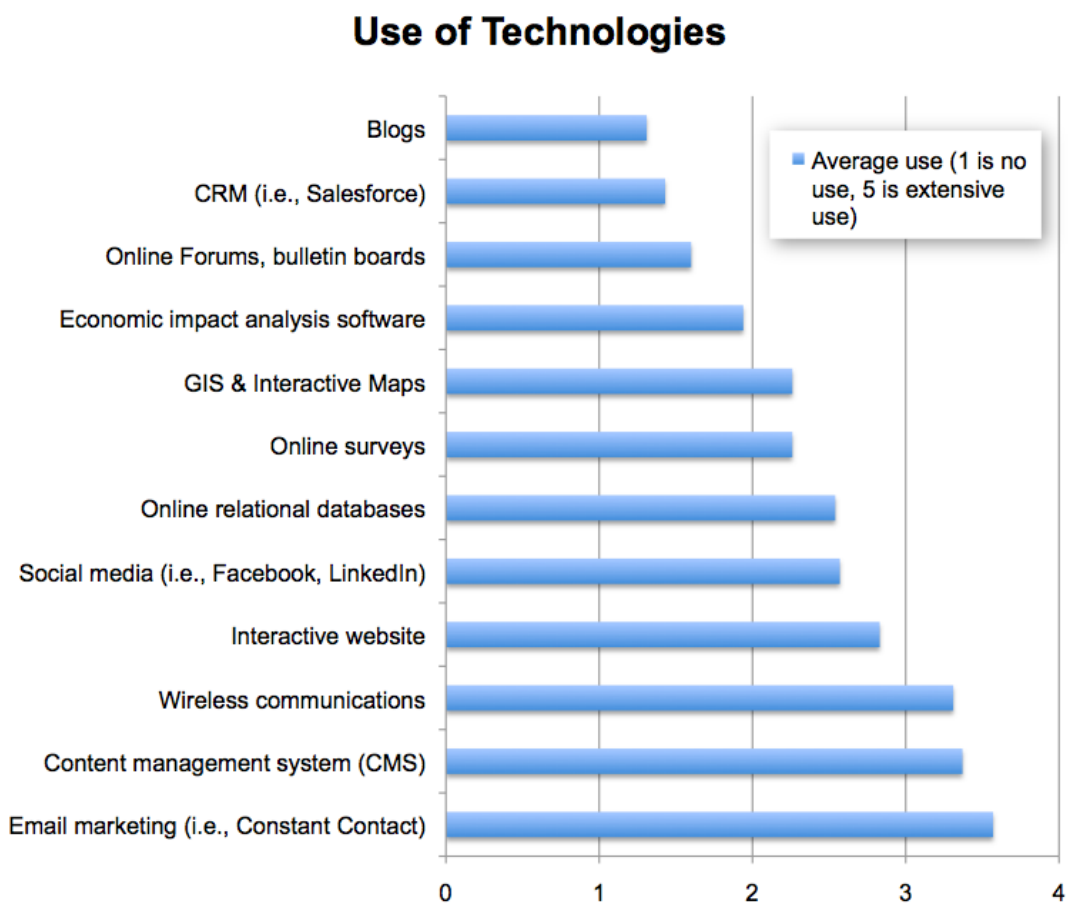
Our survey asked the question, "How effective are the following tools/ methods? (on a scale of 1 as not at all effective, and 5 as highly effective)" The top responses were electronic newsletters, event promotion and marketing collateral.

Compared to the survey results from the IEDC, EDCs that responded to our survey differ in their preferred marketing vehicles. The ED organizations indicated that traditional collateral is more important in their marketing approach than website and in-person visits.

Technology Use – Technology can be leveraged to increase productivity, minimize travel time and expense and maximize outreach. Broadband is the single most important factor for business development in rural

communities – more important than roads or other infrastructure. It is the key to running and starting new businesses[4]. ED practitioners use email marketing, content management systems for their websites, wireless communications, and interactive websites the most in terms of technologies.

The survey indicated areas where technology is underutilized by ED practitioners (those scoring less than an average score of 3 - including blogs, online forums, customer relationship management software, GIS and interactive maps, relational databases for site matching and social media. All of these technology-supported tools are important for marketing efforts.



4 California Broadband Status Report, January 2008. California Broadband Status Report.

Training – The third most important service indicated was training. In 2010 Barbara Halsey, the then Executive Director of the California Workforce Investment Board explained why this is true. “This comes as no surprise. Most businesses in rural areas are small businesses and many lack the time or resources to do extensive training of personnel. From an economic development perspective, your ability to communicate the needs of your local businesses to education and training organizations in your region is critical. Your businesses’ customers are dependent on your ability to link them to the right resources for new hires and to address the continuous training needs of their existing workforce. Effectively linking the demand side of the equation (business need for skilled workforce) to the supply side of the equation (workforce and education partners) has a positive consequence.”

Halsey continued, “As these entities become more familiar with each other, they begin solving future workforce challenges earlier and together. This is especially important if you want to improve the economic competitiveness of your existing businesses. As many rural businesses transition to new opportunities in the knowledge economy, the technical skills sets needed by new and existing workers will increase. In a rural area, this may mean negotiating expanded online training opportunities with regional training organizations on behalf of a group of local employers. Your knowledge of potential workforce, education and training partners in your region may be the missing link in the next level of development for the rural businesses you serve.”

Recommendations

Web focused marketing that aligns dollars with impact	The most critical recommendation with respect to marketing is to align marketing dollars and efforts with expected impact. In reference to the IEDC survey, the website is absolutely the most important marketing tool. EDC websites should focus on the top three elements requested by respondents: Information on available incentives (82% of respondents), demographic information (73%) and directory of available buildings and sites including interactive mapping (49%). An online database of shovel-ready sites and buildings can be easily linked from a cooperative real estate broker. The EDC should build and maintain a database of both government incentives as well as demographic information. The nuts and bolts information (accurate, up-to-date content) is more important to prospective investors, companies and site selectors than high quality lifestyle photos, flash sequences and stylish layouts.
Technology - Become experts at Social Media	Social media is the most effective way to target a message and achieve broad viral reach [5]. EDCs must learn how to build strong individual profiles for their areas, leverage shared connections and manage the two-way conversation. Developing a digital ambassador program through the region's business executives and leaders who are already active in social networking will allow the EDC to leverage trusted source users and extend the reach of marketing efforts at little to no cost.
Training – Develop community ambassadors	All regions, rural, suburban and urban have the opportunity to impact the visitor directly through people in the service industries. Hospitality workers (shuttle drivers, hotel and restaurant employees) are often the first contact a business traveler has with a potential site. By collaboratively designing and delivering a Community Ambassador training course on the community's strengths, businesses, special events, opportunities and lifestyle, an EDC can have a positive impact on key decision makers. The ambassadors can be kept engaged and updated through social media channels.
Marketing - Co-brand with sectors or businesses	Every region has a bright spot that can attract new business. By co-branding with an industry association (e.g. wine, organic growers, green manufacturers) or a standout corporate presence, a region can enhance its image for business attraction.
Business retention-focus on retaining businesses	It takes much less effort to retain viable businesses than to attract them. Existing businesses are a reliable source of job creation given the right support, tools and investment.
Training – partner with academia	Develop partnerships with private parties, local colleges and universities. Successful training partnerships in rural communities include SCORE chapters that provide valuable mentoring to entrepreneurial ventures and local business input for curriculum.

5 The Gort Cloud – The Invisible Force Powering Today's Most Visible Green Brands. Richard Seireeni and Scott Fields Chelsea Green Publishing 2008.

Model Practices

Technology – Having an informative, interactive and user-friendly website is a basic requirement in today's business climate. Fresno County includes interactive, 3D asset and county maps that gives the viewer a sense of place within Fresno County and provides a drill-down capability to highlighted areas in each Fresno County city. The asset map highlights the renewable energy attributes and investments in the county.

Fresno County Interactive Map

Tuolumne County also uses geographic information systems (GIS) that use graphic icons to locate retail and industrial sites. The Tuolumne County website includes real estate listings and abstracts for available commercial buildings and shovel ready sites.

Tuolumne County GIS Mapping

San Luis Obispo Economic Vitality Corporation also has a very engaging website that is particularly helpful for finding business loan programs, training and workshops, business success stories, economic impact from the region's key industries, event postings and an "experts corner" with useful business advice.

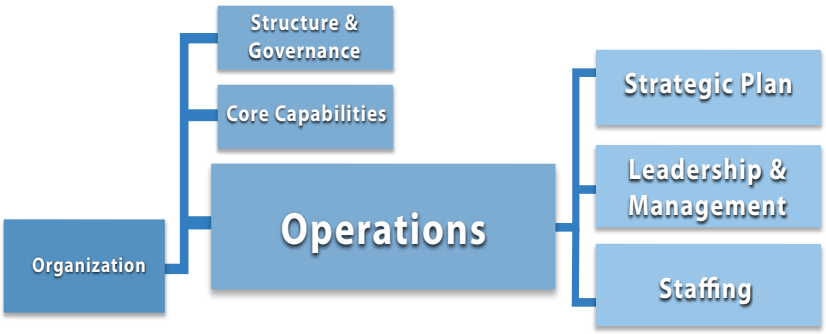
Retention - Technology as a tool – Larry Cope, Director of Economic Development at Tuolumne County EDA uses technology extensively to increase the productivity of his operations. Essentially a one person EDC, Larry spends most of his time on the road visiting existing businesses to inform them of new programs. Technology allows him to operate from a "virtual" office – staying in touch with all his constituents while on the road.

Marketing - Use of Social Media – Fresno County has an active Facebook site that can be reached from its main website. The Facebook page is used to post and send invitations for events, feature local success stories and community leaders. Besides a low-cost information broadcast tool, Facebook allows the Fresno EDC to manage the two-way conversation between interested parties and creates a mechanism to spread opportunities by trusted word of mouth.

Outside of California, the most informative page reviewed was for Upstate Colorado. Their EDC fan page included Tools for Success links, trade and industry association posts, policy information, real estate statistics, volunteer solicitations, user polls and an article entitled "Top 10 Factors Companies Consider When Choosing a Community."

Business Assistance - Partner with Private Sector – Sierra Economic Development Corporation (SEDCorp) partners with private sector entities like Wells Fargo Bank to create a robust training program offered either free or for nominal costs. SEDCorp offers a popular business boot camp targeted to a younger demographic and subsidized by Wells Fargo.

iii. Operations



The operations of an EDC refer inclusively to the strategic planning function, leadership and staffing. The successful, progressive EDCs operate under strong leadership, however, some rural EDCs are decidedly different in their approach to operations falling in the category of "if it's not broke, don't fix it." Rural EDCs can have the tendency to focus on local issues without a holistic perspective or regard for the greater region. For example, of the 36 respondents to the survey, just over half of ED entities have updated their strategic plan in the past two years, a quarter in the past three years and a tenth do not have a strategic plan.

Strategic Plan – A strategic plan for an EDC should naturally focus on the key activities of the entity. A strong strategic plan should also begin with the vision of the key stakeholders – the cities, business community, chamber, arts and cultural organizations, and civic groups that define the region and have a vested interest in economic development. In many cases, there is a clear lack of this kind of vision or cooperation. In fact, some EDCs indicated that the sole purpose of their strategic plan was to meet grant-funding requirements. The plans are not used to direct activity in any particular way. This indicates not only a waste of time in preparation, but also a serious disengagement from the needs of the cities and counties that they represent.

Leadership and Management – As mentioned earlier, strong leadership is essential to the sustainability of an EDC and its impact on the community. Particularly in today's knowledge economy, leadership means taking the opportunity to learn and continuously improve.[6] Strong leadership facilitates effective operations, funding, and collaborative efforts and provides strong advocacy at the state level. Leadership styles and personalities varied widely across the survey group. Strong leadership cultivates a spirit of collaboration and confidence in the region attracting investment and talent. In the absence of strong leadership, economic development activities suffer.

6 Harvard Business Review; Leadership, Collaboration and the Pursuit of Continuous Improvement by Greg Taucher & Stacey Prenner - April 2009.

In this context, strong leadership includes day-to-day management and the board of directors. All EDCs surveyed had boards as their governing body.

Regional Strategies – Hinted to in the leadership discussion, regional strategies and collaboration play an important role in allowing an EDC to leverage capabilities, competencies and funding. Collaborative regional strategies offer a cost effective way to share investments in technology, trained staff or even facilities. Our deep dive study of the Tides foundation reveals showcase strategies for shared service entities that are relevant and can be adopted by rural EDCs.

Staffing – Staffing in the survey group ranged from zero to over 20 full time equivalents. Three-quarters of those surveyed had six or fewer employees. In addition, volunteer staff from local colleges or SCORE members were utilized. The large majority used part-time personnel.

Keys to Success

The keys to success for a sustainable EDC model are strong leadership and thoughtful strategic planning that accentuate the opportunities and have measureable action items. Strategic planning that incorporates the needs of the business community is essential. An effective strategic plan should also focus on external forces such as business climate and investment. The strategic plan must present a predictive model that will entice investors through the key elements of growth opportunity, talent pool, existing strengths (infrastructure, anchor businesses, sectors) and incentives and regulatory environment.

An effective strategic plan should also focus on entrepreneurial business development and expansion efforts that are particularly relevant in the current economic conditions. A Harvard Business Review study linked entrepreneurship, especially the fast growth variety, with rapid job creation, investment attraction, revenue growth and long-term productivity increases.[7] Even one success can have a surprisingly stimulating effect on an entrepreneurship ecosystem by igniting the imagination of the public and inspiring imitators.

7 Harvard Business Review, June 2010 The Big Idea – Entrepreneurial Revolution.

Recommendations

Operate like a for-profit business	A business entity is typically formed with the purpose of earning a profit and growing operations. A business entity's management is normally accountable to shareholders or owners for responsible cost control, consistent revenue growth and innovative services or product offerings. Due to competitive market mechanisms, a business must operate with strategic discipline in order to survive. By contrast, the formation of an EDC has a much broader purpose, is not subject to the same competitive forces and its directors are not generally held to the same standards of accountability. However, adopting the businesslike management style exemplified by the model practices mentioned in this report would lend greatly to the sustainability of all EDCs in California.
Create a task- oriented strategic plan	Strategic plans that are created for the sole purpose of grant applications are often left on the shelf. A task-oriented strategic plan with built in accountability, tangible goals and metrics will be much more effective.
Identify and Support a Strong Leader	The characteristics of a strong EDC leader are visionary, collaborative, flexible and focused on the numbers. Many EDC Directors interviewed for this report possess these qualities and they clearly stood out as effective leaders.
Adopt a predictive model	A predictive model is a process of assigning the probability of outcomes resulting from various activities. In the case of an EDC (or region), this would entail placing an expected value on each task to predict the economic impact of effort.
Leverage regional assets	Identify the unique assets of the region, its products and services and develop a program that highlights these assets. Some common examples include a historic downtown shopping area, artisan communities, and appellation growing areas or unique sporting events.
Be open to global opportunities	Rural EDCs can benefit from foreign direct investment opportunities and should position the EDC to develop potential investor relationships through trade organizations and regional collaboration.

Model Practices

Larry Cope - Tuolumne County (TCEDA)

Larry Cope has created a five-year work plan that includes priorities for the first, third and fifth years. The priorities are categorized in the areas of business retention, expansion and attraction, infrastructure, administration and partnerships. Each first year priority includes an action item, TCEDA role and measureable outcome. To encourage participation, Larry uses a retreat format to bring key stakeholders together for strategic work plan sessions. The planning session is used to create the action items and identify measureable outcomes at 30, 90 and 180 days with accountability built into the corresponding actions. All priorities are subject to an annual review. The complete text of Tuolumne County's work plan is included in the Appendix.

Marc Nemanic - 3Core

Marc restructured operations to focus on more profitable consulting opportunities, expand loan opportunities and incubate new businesses. 3Core crafted a strategic plan based on business community needs and member goals. By placing a market value on their services, they have been able to focus on those entities that will truly benefit from their work and have elevated the quality of businesses attracted to their three-county area of Butte, Glenn, and Tehama counties.

Tim Kelley - Imperial Valley EDC

Tim produced a comprehensive economic development strategic plan to guide the region in its efforts to build the regional economy. The Action Plan consists of specific activities, projects, and programs that when implemented by local business, community, and political leaders, will have a favorable impact on the Imperial County economy. The strategy is divided into two major sections: economic analysis that provides specific demographic and economic information for the region and comparison to other regions with similar attributes. Research regarding industries with the greatest growth potential identified eight target industry sectors. Specific actions and recommendations were made to unite the region and work as a team on implementations of the plan over a three - to five-year period.

Shared Services Governance

The Tides Foundation

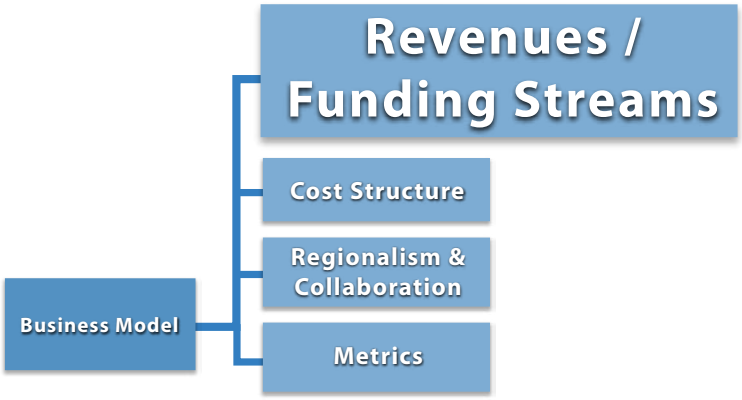
Outside of the EDC world, the Tides Foundation provides an excellent model of a shared services governance structure. The key criteria for shared governance at The Tides Foundation are the mission,

alignment of the collaborating organizations, scope of shared services under consideration, level of operational integration and the size of participating organizations. The resulting value proposition of a shared governance situation such as The Tides Foundation is reduced costs, increased collaboration and teamwork, shared administrative duties, increased productivity and better functional technology due to the pooling of available funds. In essence, many successful regional EDCs such as Upstate California, 3Core and Sierra Business Council already take advantage of shared services governance.

B. Business Model

In section one, we discussed the organizational pieces of the EDC framework. Section two introduces another important component of the framework – the business model which includes revenue sources, cost structure, regionalization and collaboration activities and metrics for measuring success. These parts of the framework are essential to all successful business models.

i. Revenues/Funding Streams



California EDCs generate revenue from a variety of sources including membership dues, grants, fundraising, program income, loan fees from Revolving Loan Funds (RLFs), fees for services, and other sources. The funding format for most EDCs has changed dramatically in the past 30 years, from being almost entirely public sector funded to now being funded from a variety of sources. Membership revenue has declined in the past several years mainly due to the recession. In many cases the membership base is too narrow. In order to make up for shrinking revenue bases, EDCs have turned to various revenue sources including fees for services. Another popular source of funds, grant procurement is not sufficient to fill the void. The inherent problem with this singular

source is the amount of time required to obtain funds takes away from an EDC's key activities. Due to these factors, an EDC must establish multiple, diversified funding streams in order to be sustainable.

Currently, the primary source of funding for most EDCs, particularly 501 (c) 6 entities comes from membership dues paid by investor members. Investments made by EDC members include both public sector funding (cities and counties) and private sector contributions. For most EDCs, public sector members account for more than a third of the income. County funding ranges from 10 percent to more than 40 percent. In most cases a city's contribution is based in part on their size, budget, and level of interest. Private sector funding ranges from a fixed amount to a variable amount depending on their level of interest.

In responding to the survey question "where did your 2009 funding come from, and where do you expect 2010 funding to come from," 57 percent of the respondents indicated that membership fees accounted for a major portion of their budget with grants also being a major contributor. Among membership-based EDCs, about a half had 75 or fewer members, a quarter had 100-250 members and a quarter had over 250 members. Most EDCs typically rely on member contributions to cover their administrative costs and state and federal grants to fund their services and programs, which generally include marketing and site location assistance. EDCs expect that the mix of funding sources will remain the same, except for Workforce Investment Board rapid response/ layoff funds, which increased percentage wise.

Funding Models

In order to reduce an EDC's reliance on a single funding source, there are several models from which to select:

- Public-Private Partnership with funding from both the public and private sectors
- Regional/Multi-Agency with several counties and their respective cities and/or several agencies (such as workforce development, SBDCs, Chambers of Commerce) joining together to reduce the per capita cost
- Service Provider with fees being charged for services rendered rather than asking for annual contributions/investment for a set of programs or services.
    - Broker/Facilitator
    - Marketing/Promoter
    - Information Provider
    - Business Advocate
    - Technical Assistance

When asked what has been the most effective action they took to achieve self-sufficiency. EDCs answers were as follows:

- Diversification. We are a CDC and CDFI. In addition to processing SBA 504 loans, we are also an authorized SBA micro-lender and we administer local loan funds. We also participate in the USDA relending program and we provide fee for service loan processing & management for one of our cities.
- Better planning and focus on core competencies. In many cases, the EDC clarified its mission, aligned its priorities, goals, strategies and resources. This redirected efforts towards other reliable revenue sources.
- In some cases, fund raising improved with big events like a gala; extra effort was expended on private donors; better public relations broughtin new donors.
- For those who added fee for service programs, they paid attention to raising the perceived value of new or enhanced services. These services varied widely from communications services to project management for entitlements and training programs.
- Loan programs were a popular diversification avenue, including SBA micro lending, USDA relending programs, and fee for service loan processing.

Keys to Success

With few exceptions, multiple funding streams are critical to the sustainability of the EDCs. The most successful and productive EDCs tend to rely on diversified funding streams including but not limited to public & private sector investor members, grants, service fees, fundraising (sponsorships, events, other), program income. Other options also include real estate transactions, utility partnerships, transient occupancy tax, business improvement district, etc. EDCs such as the Imperial Valley Economic Development Corporation have large broad-based memberships that provide a more stable financial base and have secured multi-year commitments from major investors including the public sector and major corporations. A final key to successful revenue generation is creating passive income streams such as licensing, loan fees, owning real estate, and technical assistance.

Recommendations

Diversify revenue streams	A diversified source of revenue is essential for the future successes of EDCs. EDCs should develop stable income streams through a variety of funding sources that include membership dues, multi-year commitments, fundraising, grants, and service fees. The more successful EDCs have a balanced funding base and do not rely primarily on a limited number of sources. Based on the interviews with successful EDCs, a recommended diversified breakdown of revenue sources would be: 50% - 60% membership dues with equal contributions from the public and private sector members and investors. ▸ 10% - 15% fundraising, sponsorships and events ▸ 10% - 15% program/service referral fees ▸ 5% - 10% grants ▸ 10% - 15% other
Identify unconventional funding sources	Other potential funding sources include an increase in the business license fees that are dedicated to the EDC, transient occupancy tax and layoff aversion/rapid response funds for business retention activities.

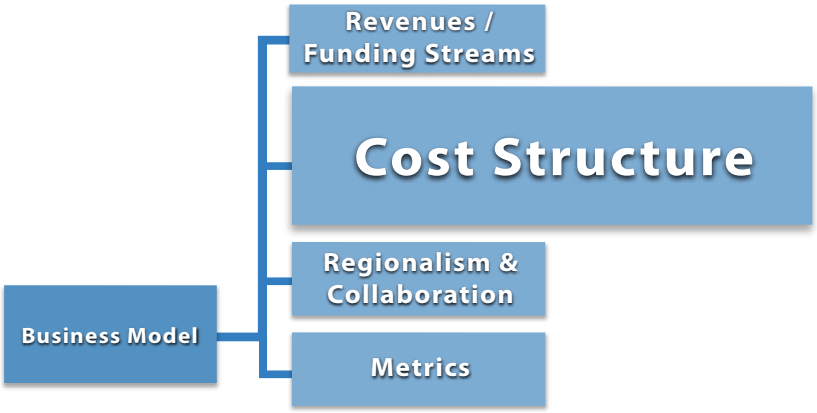
Model Practices

Shasta County EDC; Imperial Valley EDC; Fresno EDC; and Yuba-Sutter EDC have broad membership bases from both the public and private sectors. This allows them to have a wider range of funding mechanisms.

Mark Nemanic of 3Core reported over 20 separate funding streams in 2009 including local taxes, lending fees, (c)3 contributions and grant management fees.

Brent Smith of SEDCorp reported multiple funding streams including administrative fees, grant fees, memberships, charges for training and loan fees.

ii. Cost Structure



The next piece of the EDC business model framework is the cost structure. Most rural EDCs operate with a relatively small staff and very low overhead. A key cost issue for the smaller rural organizations is that an EDC director can spend upwards of 60 percent of their time looking for funding sources often competing with diverse groups for limited available monies. This is neither an effective use of resources nor sustainable in the long run. Over half of ED entities partner with other organizations to share costs. Typical areas for collaborating to share costs include:

- Marketing, public relations, and outreach
- Training
- Technical assistance
- Grant processing
- Technology sharing
- Lending services
- Political advocacy

Keys to Success

The keys to success for an EDC with respect to cost structure are not unlike those in a for-profit business. The fundamental guideline is to keep costs in line with revenues – allocate effort to the cost centers that are also "profit centers" and reduce overhead as much as possible by utilizing shared services and leveraging technology. Cost control is key to establishing self-sustaining operations.

Recommendations

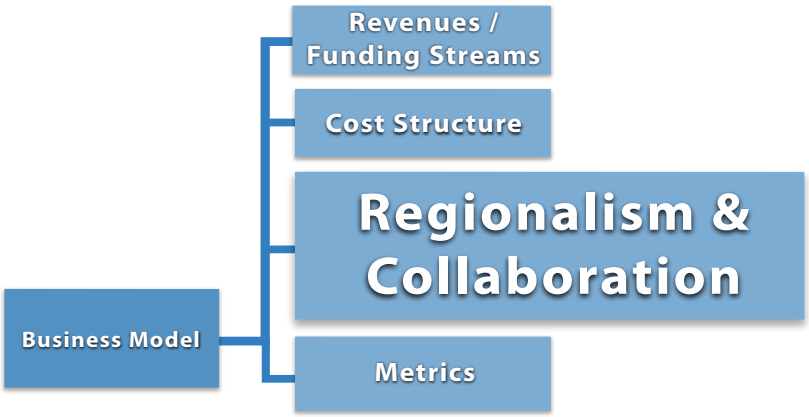
Manage costs like a for-profit business	EDCs should create a business-like image of the operation as opposed to a public agency. Stringent cash management and accountability to a Board will ensure operations are being managed effectively. For profit businesses often link pay to growth-based or goal-oriented incentives.
Outsource grant research and writing function for smaller EDCs	The amount of time spent in the grant search and application process significantly impairs a director's ability to service the community. By outsourcing the function at a regional level the director will be able to spend more time on the core functions and implementing programs.
Leverage and empower volunteers	Using volunteers from local colleges or SCORE organizations provides a willing and trained workforce at little to no cost.
Utilize technology to cut expenses in travel, printing, marketing collateral	A shift from traditional media and collateral to a primarily web-based marketing effort will dramatically cut expenses. To analyze the effectiveness of an investment in web advertising, EDCs should focus on click through rates, cost per visitor, conversion rates, average time on site and return on objective.
Negotiate trade-outs with partners or in-kind donations	EDCs brand image has value that can be tapped. Rural EDCs can offer sponsorship opportunities to vendors and private businesses in their area. These partnerships will help the EDC fund events and also garner recognition for the sponsoring businesses.

Model Practices

- Brent Smith of SEDCorp started his position in December 2006, with SEDCorp losing $11,000 per month. The EDC was essentially staying afloat by playing a shell game with cash reserves. By instilling stringent cash management controls, cutting expenses and changing the business model to mimic a for-profit business rather than a non-profit, SEDCorp runs an average profit of $11,000 per month after loan reserve contribution. Their Board reviews SEDCorp's financials every month.

- Mark Nemanic of 3Core manages a staff of six in a profitable, customer-centric EDC. Mark rebranded the EDC in 2007 to look less like a public agency and created a consulting based operating model. This allowed 3Core to raise their hourly rates and flush out the customers that were not serious about the economic value of the services.

iii. Regionalization & Collaboration



Collaboration with regional or other partners offers one of the best opportunities to leverage strengths, compensate for weaknesses and create economies of scale for media buys, marketing, technical support, etc. Collaboration spurs innovation that can energize an entire regional economy. The main resistance to regionalization and collaboration is competition. But the regions that have embraced the opportunity have created powerful collaborative organizations whose benefits far outweigh the threat from competition. Collaborative culture enables high performing regions to continually create distinctive advantages.

In addition, from the outside agency's perspective (e.g. USDA, EDA, WIB, etc) regional partnerships streamline the process for grants and assistance because there is less competition for funds. Worthy goals and programs often get bogged down or lost in translation due to competing entities with the same end goal in mind.

There are virtually hundreds of agencies, commissions, chambers, boards, etc., that constitute economic development in the State of California. For example, agencies including but not limited to those as diverse as a chamber of commerce, workforce development board, micro-enterprise foundation, redevelopment agency or a rural empowerment zone all play roles in economic development. Each of these agencies has the potential to work together to maximize economic benefits and leverage resources.

Keys to Success

The first key to success is to acknowledge up front that all regions compete. In a business context, competition has the Darwinian effect of raising the strongest competitor to the top. However, in the EDC environment competition can lead to divisiveness. Done correctly, leveling the playing field through collaboration creates an atmosphere of respect amongst the "competitors." Regionalization gives a more powerful representation and recognition for grant sources, especially workforce training, Enterprise Zones or extending transportation networks.

A second key to success is for an EDC and region to focus on what works rather than the challenges associated with a particular geography or region. Regions must overcome the "what's in it for me?" mentality by creating networks and relationships to build trust. The lack of trust can be proliferated by a "frontier" perspective or isolated geographic region common in rural areas.

Finally, pooling of funds for services or technical support allows regions to leverage meager funds from individual organizations and create critical mass for promotion and marketing activities. Pooling of funds can save money by eliminating duplicate efforts, reduce waste and inefficiencies and improve revenue prediction. Beyond these cost savings though, regional efforts benefit the entire area by creating a unified voice and consistent message. This will result in a stronger regional image that will be recognizable to businesses in and outside of the area.

Recommendations

Adopt a collaborative strategy	A collaborative strategy must be designed around the realities of a region's circumstances, be they natural resources, geographic location, industry sector or culture. In certain cases, geography is simply not conducive to a regional strategy. By focusing on what works, the potential for success is far greater than spending time overcoming obstacles
"Buy regional" programs	The trickle down effect of buy regional or "keep it local" solutions at the business and government level is beneficial to the local economy in terms of taxes, job retention and expansion potential. Programs should have progressive boundaries to enable the most flexible concentric revenue capture opportunities.
Collaborate for grant funding efforts	Collaborate with other rural EDCs on grants for infrastructure that will benefit an entire region. Collaboration in this area is key, particularly for smaller EDCs. By establishing a centralized grant assistance program to help identify and administer grants, communities can be much more competitive in the application process and centralize reporting requirements.

Model Practices

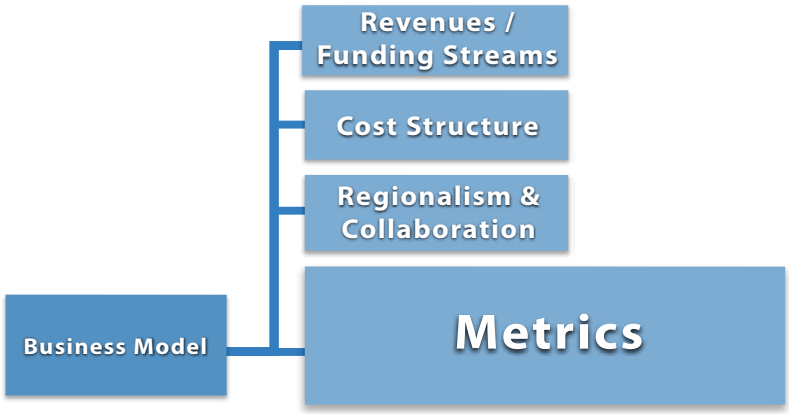
Sierra Business Council – The Sierra Business Council ("SBC") is a professional membership organization that works for clients and local communities as resource suppliers, technical assistance providers and full-scale partners in long-term projects, offering expertise in community planning, collaborative process facilitation and sustainable business practices. SBC's main partners are regional governments, labor, utilities and providers of infrastructure. (see full discussion in Appendix B)

Plumas County – The Quincy Library Group, "QLG", is a tri-county effort between Lassen, Plumas and Sierra Counties created to quell the

burgeoning timber wars of the early 1990s. The land in these counties is primarily federally owned, coniferous forest and the local economy was heavily dependent on the logging industry. The region also stewards drinking water sources, hydroelectric power facilities and fish breeding areas. The results of the QLG initiatives have resulted in a federally funded Forest Health Pilot program, improved watershed maintenance, and a partnership with the National Renewable Energy Laboratory to study the feasibility of manufacturing ethanol from excess small trees. The QLG successfully collaborated on their mutually beneficial goals of forest health and community stability and garnered federal funds to facilitate their efforts. This is an excellent example of "focusing on what you have."

King's County – The King's County EDC has a one-stop business center that works closely with the cities, county, State, chambers, utilities, existing businesses, financial institutions and interested individuals to ensure that programs are meeting community goals. The business center strives to create job opportunities for the community and increase the bottom line for businesses through development and retention assistance

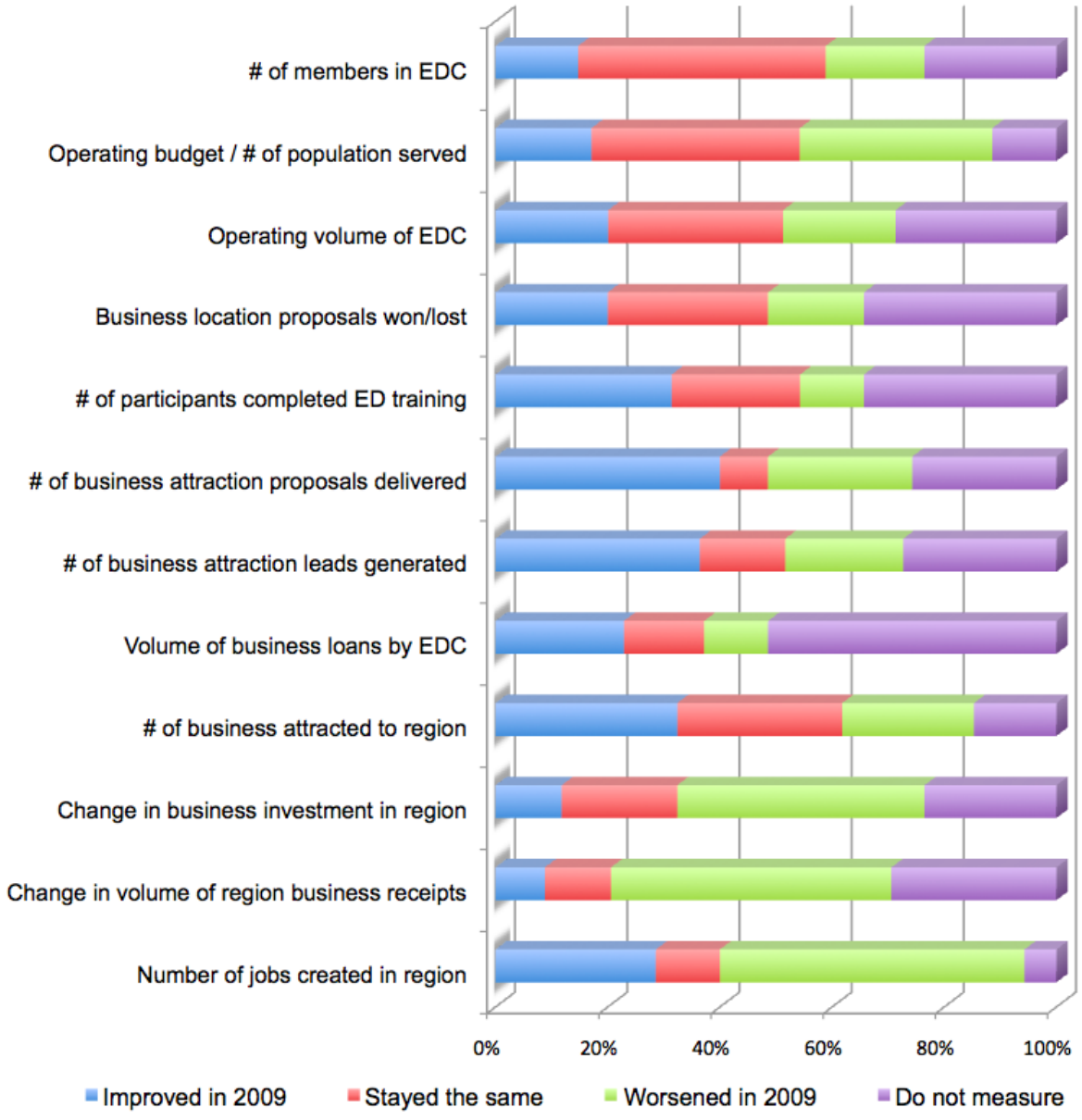
iv. Metrics



When it came to metrics, most EDCs interviewed were not overly excited about the topic because measuring the success of an EDC's efforts and impact can be difficult. The CALED website offers an extensive listing of potential metrics, however, given the diversity of the EDC organizations, it is hard to identify a consistent set of metrics relevant to the entire State. The questions related to metrics in the on-line survey revealed a high rate of change between 2008 and 2009 performance indicators. The most notable indicators which improved included: number of business attraction/incentive proposals delivered, number of business attraction leads generated, number of businesses attracted to the region.

The indicators that declined included: number of jobs created in the region and change in business investment in region. With respect to metrics, the survey asked: "To the extent your organization tracks the following metrics, did this indicator improve, stay the same, or worsen in 2009 compared to 2008? Answers were clustered as follows:

California EDC Metrics



Keys to Success

In the business world, metrics are clear and broadcast to the world through share price and profits. Executives are compensated and incentivized based on their performance metrics and in publicly held corporations, stockholders share in the gain. Share price and profits are measured because that's what CEOs and investors care about. In order to change what they care about, the metric must change, as it's a well-documented fact that humans adjust behavior based on the metrics they are held against.[8]

Translating this approach to the world of economic development is not exactly straightforward. The uniqueness associated with each entity that performs an economic development function makes it difficult to standardize absolute or relative performance metrics. However, without base metrics it is virtually impossible to incent, inspire or measure performance. Identifying the right metrics for each EDC will vary by geographic location, dominant industry sector and demographics.

8 Harvard Business Review – You Are What Your Measure, June 2010.

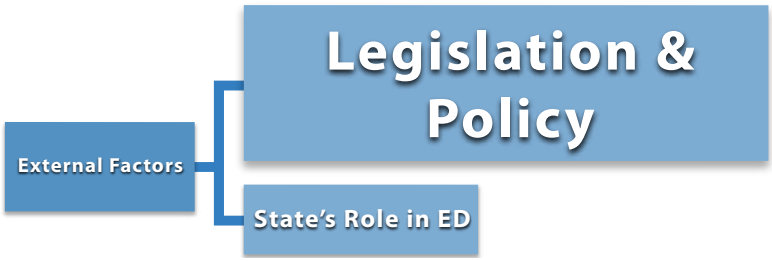
Recommendations

Link metrics to strategic plan	Strategic plans developed by EDCs should have actionable tasks with built in accountability
Measure economic impact of activities	Devise a standard set of metrics that direct leaders' attention to the real drivers of sustainable success (e.g. revenue stream diversification or mix targets, return on revolving loan funds, etc). The metrics must measure the economic impact of their efforts over a projected period of time. For example, a particular project or major business startup could be modeled to estimate the total number of jobs created, new residents to area, salaries paid, taxable sales and purchases and the facility's assets added to local tax rolls.
Develop controllable metrics	A common sound bite in our interviews was that EDCs "do not create jobs, they facilitate them." Logic follows that the associated metric should be the efforts taken to facilitate job creation.
Adopt **SMART** goals	SMART is an acronym for the characteristics of an effective performance measure related to a goal. This system of goal setting is widely used in successful organizations. Each goal related to an EDC's strategic plan should be: **S**pecific: goals must be as specific as possible **M**easurable: goals must have an associated metric **A**chievable: goals must be possible to achieve **R**elevant: goals must be relevant to the EDC's mission **T**ime-based: goals must be achieved within a specific period

C. EXTERNAL FACTORS

The external factors affecting EDCs include legislation, policy and the State's role in economic development. Although most EDCs felt that these issues were outside their sphere of influence, it is absolutely essential to understand how an EDC can work with the external factors to advocate for positive change. It is important for EDCs to work with these external factors because they can have a major impact on an EDC's value proposition.

i. Legislation & Policy



EDCs must understand how they can advocate for policy and legislation that will have a positive impact on their business community and region. Given the decentralized nature of economic development in California, EDC leaders must guide and focus decision-making about job development and business retention, expansion and attraction. This will require working with lawmakers to restructure economic development programs and funding programs based on performance outcomes and targeted opportunities.

In a 2010 economic development report by the Little Hoover Commission, Bill Allen, president and CEO of the Los Angeles County EDC said, "There will be a global economic recovery. The question is, will California get its fair share of that recovery? As presently organized, staffed planned and budgeted, I don't believe we will."[9] For perspective on the scale of the issue, California has lost more manufacturing jobs than any other State. According to a recently released report on California manufacturing, the industry's share of the Gross State's Product (GSP) has declined 9.8 percent. Comparatively, Texas manufacturing gained 24 percent of its GSP and Oregon gained 66 percent. California has lost 30 percent of its industrial base since December 2000, more than any other state.

9 Little Hoover Commission – Making up for Lost Ground: Creating a Governor's Office of Economic Development.

An important backdrop to California politics is Proposition 13. Approved by voters in 1978, the proposition limits property taxes to one percent of the property's full cash value. This cap severely restricts local government funding sources that help pay for the many services offered by municipalities among them, economic devlopment activities. While some have maligned this proposition, it is a constant in California and its affects must be recognized when considering local funding options for EDCs.

The real question is, what specifically can an EDC do to advocate for legislation and policy that will have a positive impact on their community? The most immediate opportunities occur in five areas with huge potential for impact:

1. Infrastructure Financing – advocate for policy that supports or finances infrastructure. For example, general obligation bonds that would fund jobs for the construction of needed infrastructure projects such as water and sewer systems, bridge retrofits, power grid upgrades or Department of Energy funded energy efficient retro-fitting projects.
2. Manufacturing Policy – advocate for policies to attract and keep manufacturing in California. For example, the manufacturing tax credit provides recurring tax revenues, and ensures a long-term job base.
3. Leverage Capital – advocate for using existing capital to help people earn a better return on investment. For example, using CALSTRS or CALPERS investments as a loan pool for businesses.
4. Support State's Role in ED – continued support of the Governor's Office of Economic Development will benefit EDCs with a consolidation of critical economic development functions under the Office of Economic Development. This concept is discussed in detail in the next section.
5. Support Streamlined Permit Processing – advocate for the creation of a Governor's Office of Permit Assistance to help streamline the cumbersome process that is a clear barrier to business attraction and expansion in California.

In addition to these five key areas for advocacy, some of California's unique opportunities for economic development reside in the special incentive zones detailed below. Many EDCs have captured the benefits from the following economic incentive zones effectively:

Enterprise Zones* – The Enterprise Zone (EZ) program targets economically distressed areas in California with special State and

* At the time of this report, substantive changes were being proposed for this program, including elimination.

local incentives, which encourage business investment and promote the creation of new jobs. There are currently 42 EZs in California. The usage of Enterprise Zones in Rural California is very low with only Shasta, Siskiyou, Imperial Counties, Westside – Tule and the City of Watsonville.

Foreign Trade Zone – A Foreign Trade Zone (FTZ) is an area that is physically located within the United States, but deemed to be outside the territory of U.S. Customs. Because of this, most foreign-made parts, components and merchandise may enter a Zone without payment of U.S. Customs duties, fees and certain taxes.

Subzones-Subzones allow companies that import or export their products to take advantage of Foreign Trade Zone benefits without having to physically relocate within the Foreign Trade Zone.

HUBZone – The HUBZone Empowerment Contracting Program, which is included in the Small Business Reauthorization Act of 1997, stimulates economic development and creates jobs in urban and rural communities by providing contracting preferences to small businesses that are located in a HUBZone and that hire employees who live in a HUBZone. SBA is responsible for regulating and implementing the HUBZone Program.

Innovation Hub Initiative – The iHub initiative will improve the State's national and global competitiveness by stimulating partnerships, economic development, and job creation around specific research clusters through State-designated iHubs. The iHubs will leverage assets such as research parks, technology incubators, universities, and federal laboratories to provide an innovation platform for startup companies, economic development organizations, business groups, and venture capitalists.

Manufacturing Enhancement – Manufacturing Enhancement Areas (MEAs) were established in California to stimulate development in selected economically depressed areas. The MEA program provides a hiring incentive for entities and individuals that operate or invest in a business located within a designated MEA. Brawley and Calexico, California's two Manufacturing Enhancement Areas are focused on stimulating job creation in the Border region.

REAP Zones – USDA advocated a pilot concept for rural revitalization and community development called Rural Economic Area Partnership (REAP) Zones. The REAP Initiative was established to address critical issues related to constraints in economic activity and growth, low density settlement patterns, stagnant or declining employment, and isolation that has led to disconnection from markets, suppliers, and centers of information and finance.

Recycling Market Development Zone – The Recycling Market Development Zone (RMDZ) program combines recycling with economic development to fuel new businesses, expand existing ones, create jobs, and divert waste from landfills. This program provides attractive loans, technical assistance and free product marketing to businesses that use materials from the waste stream to manufacture their products and are located in a zone. The zone cover roughly 71,790 square miles of California from the Oregon border to San Diego.

Redevelopment Districts* – Redevelopment is a tool created and regulated by State law to revitalize communities, assist local governments in eliminating blight from designated areas, as well as to achieve development, reconstruction, and rehabilitation of residential, commercial, industrial, and retail districts. Over 400 California cities and counties have adopted local redevelopment plans.

Geographically-Targeted Economic Development Areas – California currently has four types of Geographically-Targeted Economic Development Areas (G-TEDAs). Each of these areas has related tax incentive benefits as well as a variety of locally provided incentives and benefits. The purpose of these benefits is to stimulate business investment and job creation for qualified disadvantaged individuals in State-designated economically distressed areas. These areas are: Enterprise Zones, Local Agency Military Base Recovery Areas, Manufacturing Enhancement Areas, and Targeted Tax Areas.

* At the time of this report, substantive changes were being proposed for this program, including elimination.

In terms of a "wish list" from EDCs, our survey asked the following open-ended question regarding desired changes in legislation. Which State laws or legislative changes would improve the effectiveness of EDCs? Answers were clustered as follows:

EDC Wish List

- Revision or repeal of SB 975. EDCs especially want to limit the application of the prevailing wage requirement in SB 975.
- Allow communities to give incentives without a gift of public funding.
- Keep and enhance enterprise zones, award more.
- The State should not grab redevelopment funds from local EDCs.
- CEQA reform, relax permitting requirements, reduce unfunded mandates.
- Incentives. Provide incentives for incubators, iHubs, manufacturer's tax credit, more tax abatements, decrease corporate tax rates for new enterprises, green tech exemptions, hiring tax credits.
- Loan guarantee program. Increase allocation to State loan guarantee fund, increase number of authorized agents for guarantee fund, and reserve a portion of work force funding to support small business guaranty financing when jobs are created.
- Reinstitute manufacturing investment credit in counties with over 150 percent of statewide unemployment

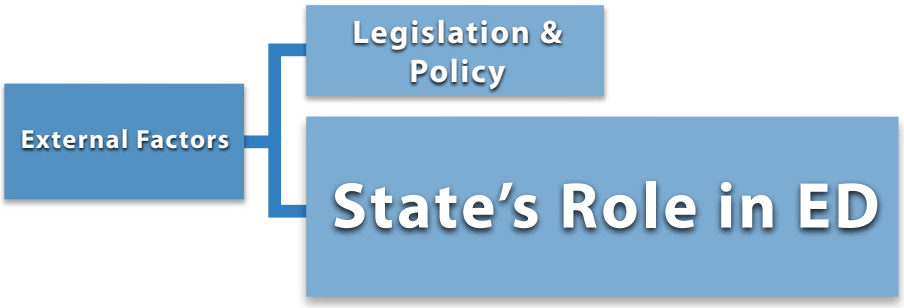
Keys to Success

The key to success is to partner with other stakeholders to advocate for pro-business legislation that will help create jobs and ease tax burdens for emerging industries or ventures. Legislation and policy that can facilitate the economic self-sufficiency of EDCs is the most important factor. While legislation and policy can impose restraints, opportunities are generally present as well and may be overlooked out of frustration. Specifically, EDCs can advocate for policies that promotes infrastructure financing, manufacturing tax credits, flexible capital leveraging capabilities.

Recommendations

Explore business opportunities and infrastructure financing related to mandates	Shift the regulatory conversation to look at business opportunities related to the mandates rather than just focusing on costs. An example is the opportunity associated with AB 32 for renewable energy technology. Opportunities may include new infrastructure and low cost funding.
Take strategic view of tax policies	EDCs can work with partners to take a strategic view of tax policy, similar to any investment strategy. While the costs of existing and recent investment changes seem high, the long-term benefits of job retention, creation and investment are tremendous. The State's strongest revenue-generating years have occurred when the economy is strong. Higher employment rates and capital investment result in bountiful personal and corporate income tax revenues that will stabilize the economy going forward.
Advocate against punitive taxes	EDCs must advocate against punitive taxes for business. Proposals such as split roll property taxes, and other punitive tax proposals that target job creators and the employers in this State are extremely high-risk. The resulting harm to the economy and decline in revenues may far outweigh any static revenue "gains" scored from a particular proposal.
Advocate for investment incentives	EDCs must advocate for investment incentives to attract business. Repeal of investment incentive proposals will only exacerbate the State's business climate reputation.
Partner with State's tourism and marketing organizations	The State's tourism and marketing organizations help drive arguably the largest industry in the state—the tourism industry. These groups can act as partners and carry the economic development message to a larger audience, beyond California's borders.

ii. State's Role in ED



The State of California has potential to play a key role in economic development. The fact is, most rural EDCs do not trust the State to provide fair and balanced representation on their behalf. This lack of trust is a huge barrier that must be overcome for the rural areas to see the benefit of representation at the state level.

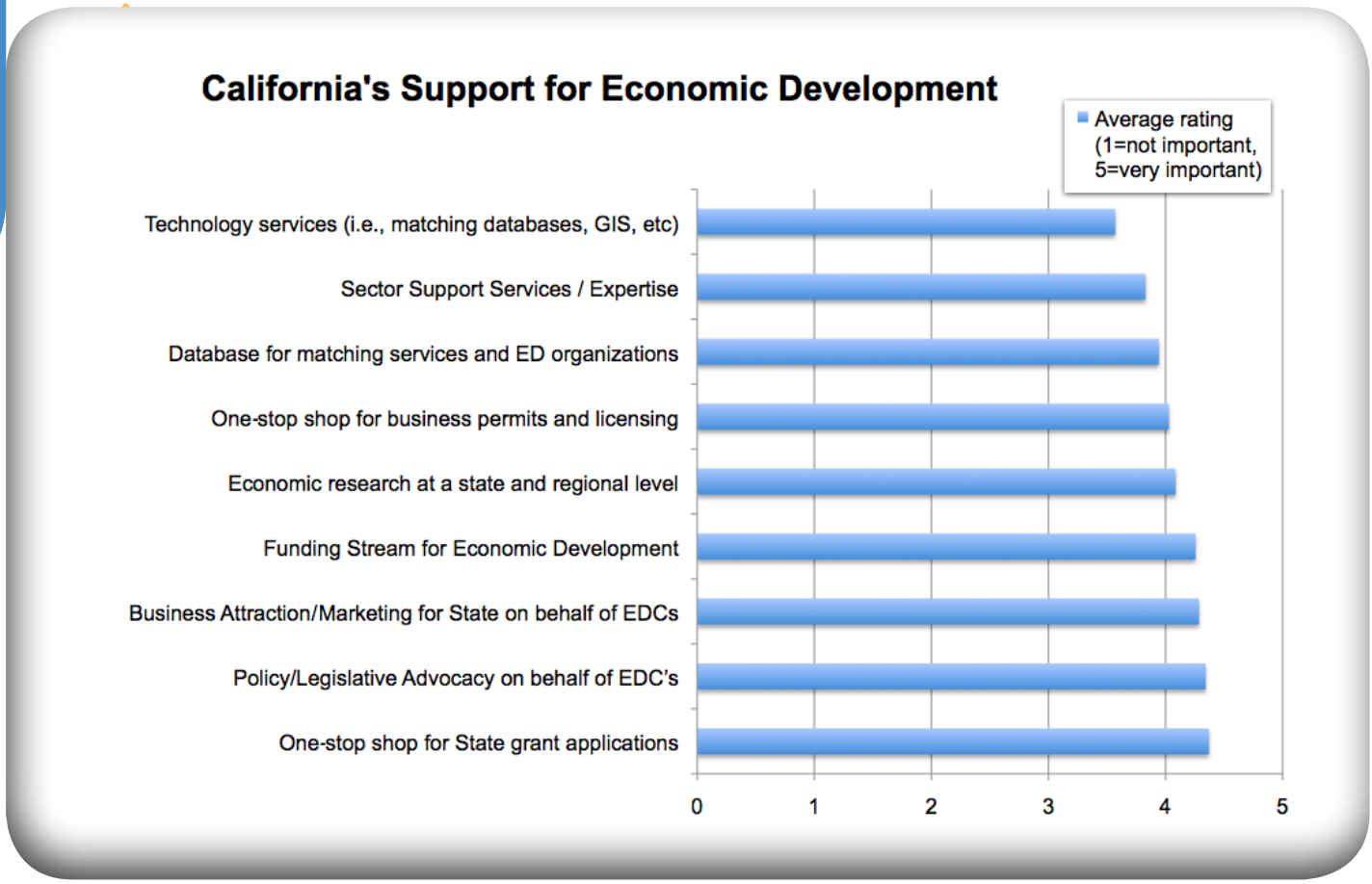
In 2003, the State of California's Technology, Trade and Commerce Agency was dismantled largely due to controversy over its overseas trade offices. Subsequently, the State's economic development programs were dispersed to various agencies and departments. This lack of a single State-centric economic development organization created a vacuum in the market place for supporting local economic development. Organizations like CALED have stepped in and supported local economic development. These organizations have been community-centric and focused on bottom-up priorities for economic growth.

In February 2010, the Little Hoover Commission urged the governor and the Legislature to restructure the leadership and coordination of the State's economic development programs. The Commission recommended consolidating key existing economic development functions by establishing a new, lean economic development unit within the Governor's Office. The Commission's study identified that the State has numerous economic development resources already in existence but the resources are not organized in a way that businesses, cities and localized economic development associations/corporations can easily use them – or even locate them.

The Governor's office decided to utilize the Commission's recommendations, and in April 2010, a new Governor's Office of Economic Development was announced. The Governor's Office of Economic Development (GoED) was launched by Governor Arnold Schwarzenegger to help stimulate and facilitate economic growth across

the State. Currently, this entity is acting as coordinator in the Office of the Governor. The long-term vision is the expansion and ongoing operation of a State Office of Economic Development. GoED serves as a one-stop shop for business needs and can offer assistance, resources, and other tools to assist with the creation, expansion and retention of businesses. GoED's mission is to make it easier to do business in the State. GoED is employing the recommendations of the Commission's report, through the coordination of 100 State programs across 28 State departments and providing a single point of contact for companies that want to or are interested in doing business in California. GoED also works with local economic developers to support them.

In our survey we asked the question, "What are the top three services that a State office of Economic Development could offer to benefit your economic development efforts?" Answers were arrayed as follows:



Keys to Success

Based on the survey results, the keys to success for a State office of economic development are to provide a one-stop shop for State grant applications, provide legislative advocacy on behalf of the EDCs and centralized business

attraction efforts. Removing barriers and streamlining permit processes is also an important factor that would allow companies to scale up their business and have easier access to a larger market. This will enable regional competitiveness and more efficient permitting processes at the city level.

Recommendations

Facilitate business development	Create a true "one-stop shop" for permits and State grant applications modeled after successful states such as Michigan. Perform in-depth research of other states for model practices.
Remove barriers for business development	Remove barriers for business attraction and development such as cumbersome permit processes. Advocate for pro-business legislation and policy. In addition, proactively integrate and leverage government specialty zones and tax credits

Model Practices

In terms of a proactive role for economic development at the state level, the best models are once again outside of California. For instance, Oregon, Washington and Texas offer good models, however, Michigan's model is most interesting. Inspired by necessity, Michigan is emerging as a re-development model. Led by a proactive governor and an urgent need to revitalize the State's economy, this Rust Belt State is aggressively retooling itself to be a leader in the 21st century. To facilitate business startups, the Michigan Economic Development Corporation has developed a highly functional Michigan Business One-Stop site. On the site a prospective business owner creates a profile using an online survey tool. The profile allows expedited service for tax registration, permits and licensing. In a test scenario for a hypothetical food manufacturing business, the online survey tool indicated that 11 permits would be required for permits from local, State and federal agencies. The online tool also allowed the user to begin the application process from one data collection window.

CALED's Role as a Shared Services Provider ...

II CALED Services

CALED provides essential services to rural EDCs ranging from training and advocacy to providing up-to-date information on economic development. In order to identify best practice model recommendations for CALED to facilitate sustainable operations in their member EDCs, two types of case studies were conducted. First, an in depth study on both the Tides Foundation and Sierra Business Council (included in its entirety in Appendix B) was conducted and these models helped shape the recommendations for CALED as a service provider.

Second, high level case studies were conducted of model practices from leading states as indicated by the EDC Advisory Council. These included Texas, Michigan, Oregon, Washington and Idaho. While specific recommendations related to these secondary case studies are mentioned in the Policy and Legislation section of this report, CALED recommendations include observations of shared and matching services, using technology as a lever and facilitating regional cooperation.

As part of this report, members were asked how CALED could help them become more sustainable. We asked economic development practitioners about services offered by CALED in terms of their awareness, importance and level of satisfaction. (1 was very low and 5 very high). The following table shows the percentage of those indicating a 4 or 5.

Knowledge of CALED Services

Service	Awareness (top 2 box %)	Importance (top 2 box %)	Satisfaction (top 2 box%)	Gap between importance and satisfaction
Advocacy for Economic Development	80%	91%	63%	-.9
Information Sharing on model practices	43%	73%	45%	-.9
Best Practice Awards & Recognition	65%	41%	42%	-----
Education/Information on Green Businesses & Sustainability	28%	50%	23%	-.6
Education/information on Entrepreneurship & Business Start-ups	42%	66%	31%	-.9
Information on technology transfer start-up opportunities for businesses	24%	60%	28%	-.9
Connections to Appropriate ED Financing Sources	62%	80%	58%	-.6
Calculate the impact of projects	20%	61%	36%	-1.0
Business Retention resources	45%	81%	44%	-1.0
Elected Officials Training & Education	54%	76%	40%	-1.1
Issue Industrial Development Bonds to Help Manufacturers	52%	75%	48%	-.6
On-Site Technical Assistance (PAS)	43%	45%	40%	-.2
Promote economic development job openings	60%	63%	60%	-.1
Staff training in basics of economic development	68%	77%	66%	-.2

There is high awareness amongst CALED members about best practice awards and recognition, connections to financing sources, ED jobs, and staff ED training. CALED can do more to raise awareness on education, information technology transfer opportunities and economic impact analysis.

The most important services rated include advocacy, financing sources, and retention services. There is high satisfaction with job opening promotion, staff training services, and advocacy. At the same time there are some sizable gaps between importance and satisfaction ratings, including advocacy, information sharing on best models, education/information on entrepreneurship, and impact analysis.

A. Shared Services

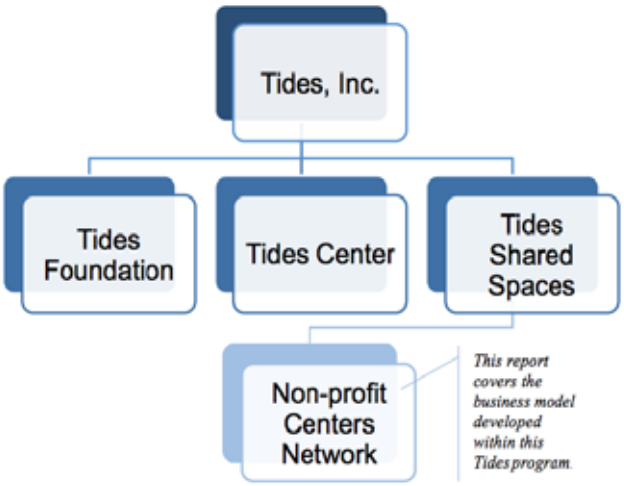
Shared services provide the opportunity for large, multifaceted organizations to consolidate operations for various legal entities or businesses. This structure is often seen among the largest nonprofit organizations including those in academia, the arts, and advocacy. Networked shared services are typically offered to subsidiaries, regional offices, state or local chapters, supporting organizations, or franchises. Tides, Inc. and its programs are an example of networked services governance model. Using the Tides Foundation as a model, we analyzed how CALED could provide a similar service.

While the Tides acts as a physical incubator for non-profits providing services such as office rental and equipment sharing for businesses, the geographical distance between rural EDCs would make those opportunities impractical for CALED. This fact does not render the Tides model irrelevant though as it can guide CALED in the role of a virtual incubator for EDCs around the state. CALED can provide cost savings through marketing opportunities and facilitating partnerships among other things. The Tides strategy can be replicated for CALED and will help insure success in offering shared services to EDCs.

Overview of Tides and Non-profit Shared Services

Tides, Inc. and Tides Foundation were founded in 1976 out of the need to facilitate the giving of an anonymous couple in New Mexico. Over the years, Tides has evolved into a group of several non-profit organizations with a range of missions.

The Tides Network of Non-Profit Programs



In 1996, the projects program that nurtured new activities became Tides Center. In the same year, Tides opened the Thoreau Center for Sustainability – a 12 building complex in San Francisco's Presidio Park.

Multi-Tenant Non-profit Center (MTNC) Shared Service Value Proposition & Strategic Considerations

MTNC Shared Services create, operate and promote sustainable workspaces for non-profits and strengthens non-profit capacity in the real estate area[10]. The value proposition flows from several key benefits related to joint real estate, administrative and collaborative program operations:

- Reduced costs
- Performance improvement
- Increased productivity
- Better functional technology
- Increased collaboration and teamwork

While the above benefits are the result of sharing physical space, they can also be realized through efficiencies captured in other partnerships. The cost savings, which go far in improving the fiscal sustainability of EDCs, can also be achieved through collaborations made on a virtual level. CALED supports the missions of EDCs throughout the state and as a result, our overarching goals overlap with those of the EDCs and we can use this shared direction to help each other.

We evaluated five interdependent strategic issues listed below. These items are incorporated in the Tides shared space model but also cross over and are relevant to the CALED shared services model.

1. Governance
2. Operations
3. Financing and Cost Allocation
4. Programs and Services
5. Metrics

10 Tides Shared Space, www.tidessharedspaces.org.

MTNC Shared Service Governance

For CALED's purposes, acting as an independent provider makes the most sense. In no way does CALED want to usurp the autonomy of each EDC but rather wants to help where needed to save money. As an independent provider of services and facilitator of partnerships, CALED can help where and when needed without entering into more intrusive partnerships. This structure also lends itself well to the offer of networked services for EDCs throughout the state.

In this structure an independent nonprofit organization provides shared services to different organizations. Both the shared services provider and the clients maintain their own board of directors. Typically, the shared services are provided through a service agreement or contract.

MTNC Shared Service Operations

MTNC Shared Services leadership and management is responsible for setting strategy and the business plan. The management function can be organized in a number of ways, depending on the goals and governance structures chosen by the collaborating organizations:

- One Executive Director/CEO/President
- One Executive Director/CEO/President reporting to multiple Boards of Directors (one per partner)
- Management team or Oversight Committee with representatives from each partner
- Board of Directors created by or from founding partners
- Jointly managed by Executive Directors of the partner organizations
- One or more partners employed by one partner, but reporting to all
- Coordinating agencies, with one or more staff dedicated to the collaboration
- Steering committee
- Co-Executive Directors

In the CALED case, a Steering Committee or management team might be the appropriate tool for guiding the direction of the shared services being provided.

Marketing, Public Relations and Branding

In general, the marketing of the shared services is very important, so that customers of the MTNC understand the value of the services provided. This would also be the case with CALED and informing EDCs of the available opportunities.

Branding for shared services communications may or may not be necessary. A separate brand makes sense if the shared service is structured as a new program, venture, or organization; the shared service has a mission that is sufficiently distinct from founding organizations; and/or the shared service requires new organizations to participate on an ongoing basis. However, if the shared service is more limited in scope or structured as a program of a participating nonprofit organization, separate branding may not be needed[11].

MTNC Shared Service Funding & Cost Allocation

The following funding considerations are important in establishing a sustainable, usable program that benefits all participants, CALED as well as California EDCs. A funding framework must be determined before moving forward with this program to ensure success.

MTNC Shared Service arrangements can be funded via ongoing income, capital campaigns and/or debt or investment funding. Financial profitability is a goal for some Shared Services providers, while others seek to break even or offer other subsidized services to participating organizations.

Shared services programs generate revenue on an ongoing basis to cover operating costs. Costs can range from being modest for simple equipment to much more under shared staffing arrangements. Ideally, earned revenue for the Center should cover the cost of ongoing services as well as the cost to buy replacement equipment, market the program, etc.

Income structures range from participants paying for services after use to those that collect advance deposits and retainers. The former model reduces the need for additional invoicing, but requires the provider to submit whatever funds are needed in advance. This calls for billing participants to adjust their payments to actual costs as services are provided during the year [12].

11 Brotsky, Cefola, & Hanson. "Shared Services Guide." 2010.
12 Brotsky, Cefola, & Hanson. "Shared Services Guide." Page 27, 2010.

Cost Allocation

The MNTC Shared Service costs are allocated among the members in four typical ways[13]. Any one of these options could be replicated or combined for CALED's use.

1. Equal allocation. This is the simplest approach where participants pay an equally divided portion of total expenses for equal access to services.

2. Usage where organizations pay a service fee based on how much they use the Shared Service, or when it's used. For example, nights and weekend usage may incur higher costs.

3. Customer size per capita and this is a method where a sliding scale allocates more costs to participating organizations with more staff, bigger budgets, or larger offices. This model is used when larger organizations would typically have the opportunity to use the shared service more often.

4. Commitment level, another sliding scale method that rewards organizations with higher levels of commitment, organizations that initially invest to share services or share some other financial or non-financial commitment, receive benefits but bear a lower ongoing cost compared to other participating organizations.

B. Programs and Shared Services

By elaborating on our existing role as a connector within the Economic Development community, CALED can facilitate partnerships at a statewide level as well as regionally and help EDCs promote their message and goals while saving money. CALED can undertake the following services.

- Identify the need and opportunities for shared services
- Encourage and Facilitate Partnership Opportunities
- Present Technology as an EDC tool
- Facilitate cooperation on leveraging regional assets into economic opportunities

In order to act upon these opportunities, we must determine the viability of each service and the importance to each EDC. Once these items are fully investigated, CALED can move forward on creating a program that satisfies the needs of our organization and the EDCs while still accomplishing our overarching goals.

13 Brotsky, Cefola, & Hanson. "Shared Services Guide." Page 31, 2010.

C. Shared Service Provider Metrics

Acceptable performance metrics at the onset of a program positions it for success. None of the Tides research indicates a specific metrics framework for measuring outcomes from MTNC Shared Services.

The suggested metrics below are a partial list of performance criteria from The Foundation Center's website and if properly developed within a full framework, could apply to MTNC Shared Services[14]. These suggested metrics were chosen as they could possibly fit with the qualitative and quantitative performance goals of smaller, rural EDCs.

As CALED develops a shared services program, defining metrics at the beginning of the process will be integral to its future success.

List A: Organizational Metrics of Efficiency and Effectiveness	List B: Community Impact Metrics
▸ Greater ability for each partner to focus on a core competency ▸ Greater ability to allocate resources to areas of need ▸ Consolidation of staff positions ▸ Reduction in overall cost per unit of service ▸ Fund development ▸ Access to new or more sources of funding ▸ Successful capital campaign ▸ More efficient use of physical space	▸ Able to serve a greater geographic area ▸ Improved quality of programs and services ▸ Stronger, more effective voice ▸ Greater coordination of services (less overlap, duplication or fragmentation) ▸ Improved programmatic outcomes

14 Potential metrics represent a partial list of organizational and community impact outcomes used by The Foundation Center. Http://foundationcenter.org/.

III. Recommendations

The recommendations in this report have been organized into the themes that consistently emerged as being critical to the sustainability of an EDC. This summary clusters these commonalities into a holistic perspective of a sustainable EDC business model based on the essential elements. The dynamics of an EDC are no different than any complex system – the functionality of the key components (strong leadership, high performing operations, collaboration diversified revenues and advocacy at the State level) creates a whole that is greater than the parts and ultimately ensures the sustainability of the entity.

While there is no single exemplary example of a sustainable business model for economic development corporations, based on our research and analysis, the following essential elements must be present:

Recommendations - Strong Leadership	Implementation Strategy
• Hire strong visionary leadership with the ability to identify new economic trends and leverage resources to expand emerging opportunities • Create a business-focused strategic plan with tactical work plan • Establish an organizational structure that facilitates diverse revenue streams	• Develop and execute a strategic business plan • Structure the EDC as a combination of a 501(c)6 and a 501(c)3 to allow for multiple revenue streams • Secure Board of Director Members who are associated with key stakeholders (i.e. local government, key business sectors, financial institutions, labor, social, cultural, agricultural groups) • Build in accountability performance metrics and feedback loops • Utilize 360-degree peer review program for director, key staff and board. • Position the EDC as a Regional Operation: Identify complementary organizations in the region and structure associations, joint ventures and/or mergers to leverage the overhead/back office operations and maximize funding opportunities, marketing, sales, and operational execution. • Identify and secure strategic relationships with the key stakeholders in the region to secure the must have operational elements i.e. funding, staff, sales/marketing, service(s) delivery. • Identify Services and Products offerings that fill a hole in the market and structure strategic relationships with providers for resale of identified suite of services. • Setup product and/or service offering i.e. loan programs, funding services, resale of broadband, software services, professional services, localized products and/or services

Recommendations - Operations	Implementation Strategy
• Strategically driven business-like operations in which tasks are aligned with the business community's goals. • Leverage technology to increase performance, reach and impact • Develop interactive website designed to meet informational needs of business expansion targets • Map regional assets • Create social media strategy • Nurture entrepreneurship • Establish performance metrics	• Develop and execute a strategic business plan with tactical assignments, accountability and tangible goals. • Use technology to help with communications within community, information sharing, training and reporting • Design website to meet the needs of prospective businesses. Include key elements such as available incentives, GIS mapping with site selection, tax profiles, permit costs and processing, industry information, business case studies and key contacts. • Create social media strategy that leverages existing connections of business and government leaders in LinkedIn, Facebook and other trusted sites. Create a fan page for the region with frequents posts relevant to new business prospects, community ambassadors and existing businesses. • Promote EDC's marketing efforts to ensure broad awareness and adoption of promotional activities. • Nurture entrepreneurship through business clusters and incubators, lending relationships, business mentoring and private partnerships. • Establish performance metrics that incorporate economic impact, cost controls, cash management and track key business levers.

Recommendations - Collaboration	Implementation Strategy
• Collaborate on marketing, training, technical services and administrative efforts. • Co-brand with region to leverage on marketing expenses • Share "keep it local" database • Focus on regional strengths and align strategic goals with partners	• Perform an objective Strengths/Weaknesses/Opportunities/Threats (SWOT) analysis of existing EDC offerings to identify potential synergies within region and opportunities for pooling services. • Reinforce and build on existing and emerging clusters. Capitalize on the foundations of locational advantages and existing infrastructure. • Develop a business plan that collaborates with regional entities in the support, development and deployment of geo-centric business clusters that leverage: o Product / Service creation o Funding o Product sell through and distribution o Product / Service marketing, merchandising o Financial Tracking • Structure Strategic relationships with the key regional stakeholders to setup a Venture Center(s) o Community-based lenders o Higher Education – Community Colleges, State Colleges, Universities and trade schools o Legal services o Financial, accounting, tax planning and business planning o Entrepreneurs and retired/semi executives – for coaching and mentoring o Business Associations - for identifying business incubation and development of co-op marketing and business attraction / retention programs o Arts & Cultural organizations - for identifying products/services incubation and co-op marketing opportunities o Micro-manufacturing startups o Distribution systems and partnerships o Commercial real estate developers to provide space for incubators, offices, live/work and commercially licensed kitchens.

Recommendations – Diversified Revenue	Implementation Strategy
• Seeking multiple and diverse revenue streams are absolutely critical to the sustainability of operations	• Assess existing revenue structure and identify risks and opportunities • Secure Real Estate Holding/building for EDC operation and key stakeholders; sub-lease space to businesses that complement the EDC services • Fee For Services - Develop and Hire staff and/or contractors/consultants for: o Grant writing services o Corporate Sponsorship for specific Professional Services delivery o Funding – loan, angel, venture – share in the placement of funding dollars and or start-ups via percentage of ownership in business incubation o Business incubation and deployment o Distribution systems for geo-centric products and services • Membership – make the board membership a high threshold with tiers of membership • Develop IP licensing and ownership of software solutions relevant to regional solutions • Resale of Business Services i.e. Broadband, Training, Technical Assistance, software tools for business planning, economic impact • Business Development Services – identify and structure strategic relationships with Professional Business Services organizations • Product Development and Sales - work with regional key stakeholders to develop a geo-centric product line for distribution

Recommendations – CALED's Role	Implementation Strategy
Identify the need and opportunity for shared services	• As a central communicator with the EDCs in California, CALED is an excellent intersection for those EDCs (mainly smaller) that cannot fully support each function needed for a sustainable operation. A shared service, similar in form to the Tides Model, provides an opportunity to gain efficiencies, attract talent and capitalize on potential benefits. Marketing, finance and accounting, database management and services are all areas that can be considered for reducing costs while increasing coverage and competencies with shared services.
Encourage and Facilitate Partnership Opportunities	• CALED can be the conduit through which partnership opportunities are identified. JPAs are an example of a flexible funding source that is more sustainable than a single entity because they draw monetary resources from a variety of sources. CALED can use its statewide network to promote these types of partnerships that help organizations remain economically sustainable.
Present Technology as an EDC tool	• Technology is an area in which many smaller, rural EDCs simply cannot afford to invest the time or money. CALED can provide support in terms of economies of scale networked solutions and technology training for such things as contact databases, lead generation, business health assessments and budgeting software.
Facilitate cooperation on leveraging regional assets into economic opportunities	• CALED provides many communication opportunities for its members through in-person events, newsletters and on-line forums. These "events" could be used to explore the economic prosperity opportunities available in neighboring regions similar to the Sierra Business Council model. The SBC model has innovatively transformed potentially "negative" rural business factors such as ecological and sustainability-related business services, into positives. This is just one example of how the sharing of solutions and best practices via CALED would benefit the larger community of EDCs.

Recommendations – State's Role in ED	Implementation Strategy
• Remove barriers for business attraction and development • Integrate and leverage government specialty zones and tax credits • Advocate for pro-business policy • Support and Augment the work of California Local Economic Developers	• Removing administrative and legal barriers to venture formation is better than creating incentives to overcome barriers. By simplifying the legal process for creating a small business, entrepreneurs and existing enterprises are incentivized. Implementation recommendation as follows: o **Step 1** - The State's Office of Economic Development. with the assistance of CALED can perform a process mapping assessment of the existing barriers to entry for a business in California. o **Step 2** – Perform an in-depth best practice model study of other States (e.g. Texas, Michigan, Oregon), which offer a more streamlined process. o **Step 3** – Collaboratively design a reformed process for business development and licensing that can be codified in the State of California • EDC should work closely with local/regional jurisdictions to secure and/or leverage the governmental multi-specialty-zone programs. Development and deployment of a comprehensive program to leverage the unique properties of each of the zones i.e. tax, incentive, job creation etc. This strategy supports business attraction, job creation and entrepreneurship. o Redevelopment Areas* o Empowerment Zone Program o Enterprise Zones* o Renewal Communities o HUB Zone and iHUB Initiative o REAP Zones o Recycling Market Development Zone • Tax Credit programs such as AB 811 PACE, Brownfield, Historic building, New Market, Affordable housing, Renewable Energy research • Access ARRA funds for renewable energy generation • Use "On Billing" programs for utilities to fund energy efficiency rehabilitation of the built environment • Develop a suite of Technical Assistance services that tap into tax credit programs • Micro-Taxation – structure strategic relationships with local jurisdiction for the deployment of micro taxation: o Temporary occupancy tax o Sales (retail, gasoline) o Real Estate Transfer fee o Rental Car

* At the time of this report, substantive changes were being proposed for this program, including elimination.

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Appendix A: Methodology & Definitions

A. Study Methodology

In developing this report the consultant team (the team) conducted a series of interviews, round table discussions, focus groups, an on-line survey, and extensive Internet research as follows:

1. Roundtable discussion with EDC Advisory Council
The team conducted a phone conference with five members of the EDC Advisory Council to determine the financial, operational, and technical support that economic development organizations require and help focus the direction of the EDC Director interviews.

2. EDC Director interviews
The team conducted 22 telephone interviews from a wide cross section of EDC directors around the State. The purpose of the interviews was to identify key issues with respect to rural EDCs' needs, best practices on how they can be more sustainable, models that work best, opportunities to work together, and potential partnerships. The initial findings were used to conduct a comprehensive statewide online survey.

3. CALED Summit Facilitation Sessions
The team facilitated breakout sessions at the CALED Recovery Summit in Long Beach on April 21, 2010 around topics that emerged in the EDC Director and affiliate interviews including; organizational structure, revenue streams, cost structure, technical assistance needs, operating issues, regionalization, legislation, policy and the State's role in economic development.

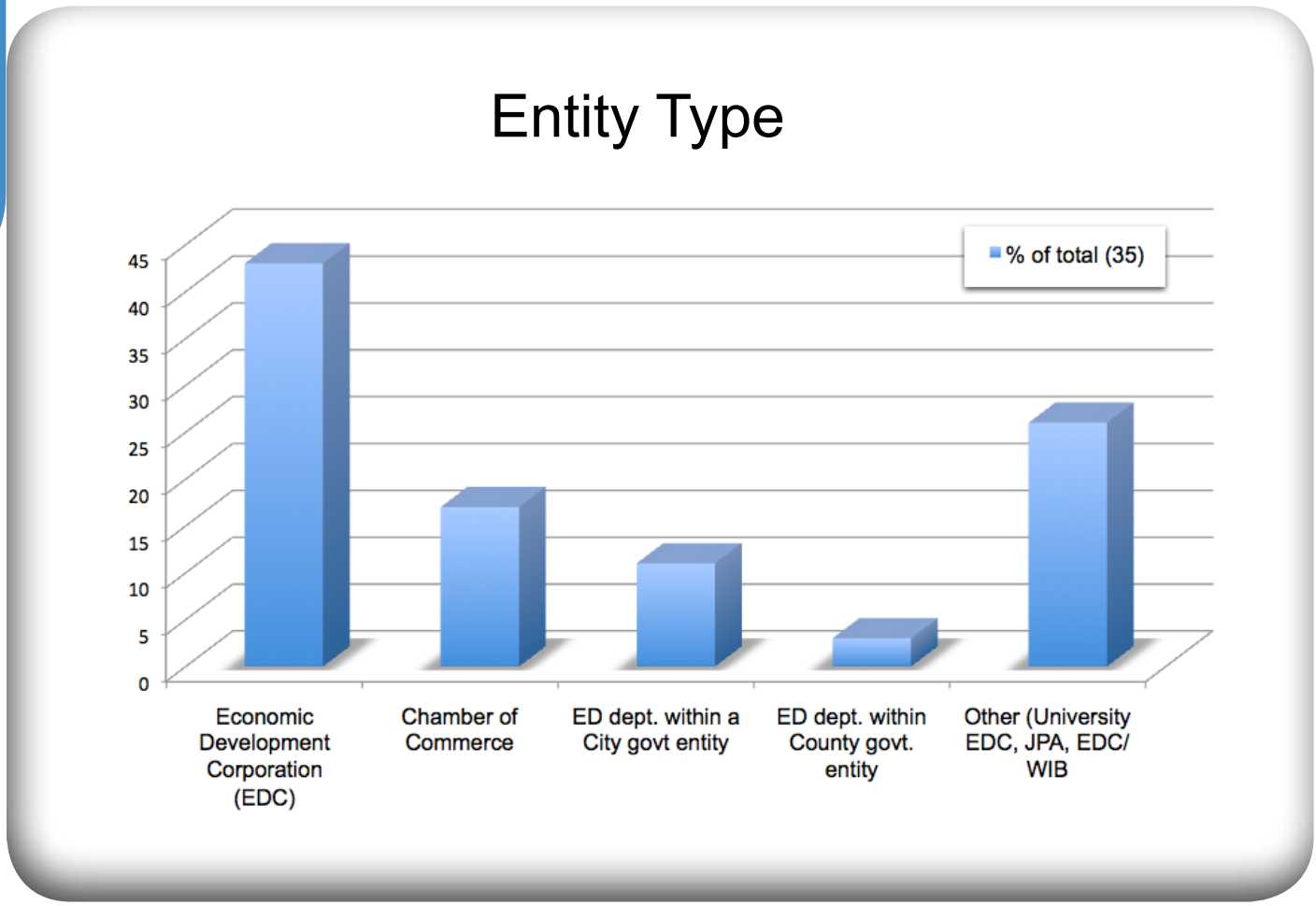
4. Online Survey
Based on the input from the EDC Director phone interviews and the CALED Recovery Summit facilitation session, a survey questionnaire was developed and deployed via email to 75 Economic Development professionals across the State. Phone reminders were employed and the survey closed with 36 responses. Survey responses were aggregated, analyzed and incorporated into the final report. The complete text of survey questions is included as Appendix D.

5. Best Practice Model research
As part of this report, we identified national models and best practices that are appropriate for California. We identified two organizations for deep-dive analysis (the Tides Foundation and Sierra Business Council)

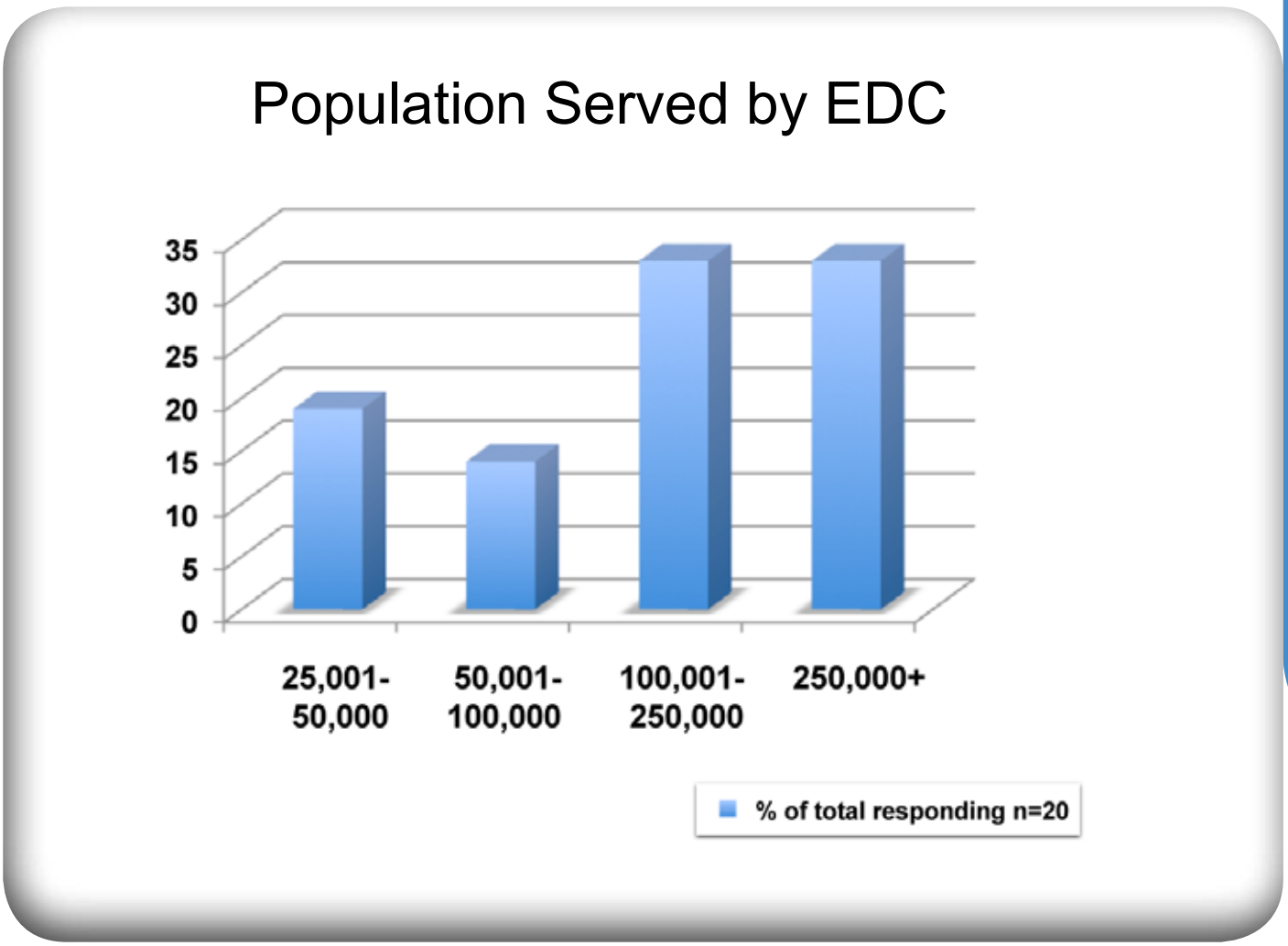
as well as best practice EDC models in other states. We have presented high-level descriptions of best practices from these and other models under topical areas such as collaboration, State's role in economic development and metrics. This analysis is included in the report and attached in the appendix.

B. EDC Demographics

A variety of organizations participate in economic development activities. Our survey closed with 36 responses including 15 classified as an EDC. CALED identified organizations and individuals who exemplified best practice models in their organizations and their valuable input is included in the survey results. The categories aligned as follows:



Seven of those organizations surveyed served communities of less than 100,000 people. Seven organizations also served communities of over 250,000. The types of community were split evenly in thirds between rural, urban/suburban and a combination urban-rural.



C. Business Model and Systems Approach

A "business model" describes the rationale of how an organization creates, delivers, and captures value. It also represents core aspects of a business, including purpose, services offered, strategies, infrastructure, organizational structures, marketing, and operational processes and policies.

The term "business model" is a buzzword that everybody uses, but is seldom defined explicitly. Put simply a business model describes how an organization sustains itself (i.e. generates revenue and manages expenses). A business model should address five questions:

1. Who pays? (investor members, clients)

2. What for? (services, expertise, information, technical assistance) - Value proposition

3. To whom?

4. Why? (e.g. perceived value, only game in town)

5. How is the organization positioned/structured to deliver on their value proposition?

D. Model Practices

Model Practices are defined as the processes, practices, and systems identified in public and private organizations that performed exceptionally well and are widely recognized as improving an organization's performance and efficiency in specific areas. Successfully identifying and applying best practices can reduce business expenses, improve organizational efficiency and maximize resources.

E. Trends in Economic Development and Business

In addition to adopting best model practices, a sustainable business model for EDCs must consider emerging trends and opportunities influencing local economies. These trends were taken from a survey of Business Week, Entrepreneur, New York Times and Fast Company.

Globalization – The clear opportunities for economic growth reside in the burgeoning demand from India and China. Rural EDCs can attract investment to support new manufacturing jobs in automotive, chemical, pharmaceutical and electronics.

Localization – Demand is exploding for locally grown and produced products, which keep money in the local economy. The economic impact of "leakage prevention" is compelling. A recent study by Entrepreneur Magazine indicates that for every $100 spent at a locally owned business, $68 comes back to the community versus $43 re-circulating from national chain stores.

New Economy – The new economy is a "knowledge based" economy. It is information and technology driven with innovation leading to highly customized services and products from a skilled and mobile workforce.

Retooling Workforce – Skill requirements in the new economy change quickly and require training. Rural communities in particular experience a brain drain when top graduates leave to pursue opportunities in education and careers even though their quality of life may be better in a rural area.

Entrepreneurial Healthcare – Healthcare reform, aging baby boomers and preventative care are fueling growth in health and wellness businesses.

Clean Tech and Green Power – Between government stimulus money and changing public sentiment, green power is arguably the largest opportunity in the new economy. Venture Capital investment in clean technology (solar, biofuels, wind and smart grid) lead all other categories accounting for 27 percent of all investment dollars in 2009.

Green Building and Energy Efficiency – The remodeling of the existing residential and commercial built environment to meet the State's Green Remodeling/Energy Efficiency requirements provides employment for home remodeling building trade jobs, green point raters, and home performance contractors.

The Senior Market – According to the U.S. Bureau of Labor Statistics, the aging services industry composed of home healthcare, disabled services and community care facilities make up three of the top 10 industries with the fastest employment growth.

Education and Training – The recession and economy shift produced fundamental changes in the job market. Retraining and retooling are the buzzwords of workforce development. The demand for skills to match the needs of emerging industries (clean tech, bio tech, entrepreneurship, computer programming, etc.)

Geo-Tourism/Leveraging the Geographic Assets – Rural California communities have unique assets such as their Heritage, Culture and Agriculture that can attract tourism and bring much needed transient tax and peripheral revenues into the community.

Arts as Infrastructure – The opportunity for rural California communities to develop regional economic development strategies based on the creative economies concept has the chance to drive economic development in a number of key sectors that increase jobs, the tax base and the sustainability of the region.

Micro-Enterprise Manufacturing – Micro-Enterprise Manufacturing is especially suitable for remote rural areas that can create a marketable product from local/regional talent and resources.

Broadband based businesses – Broadband is the 21st century infrastructure of utilities such as trains, highways and electrical power. This infrastructure is the lifeblood of rural California communities. Broadband deployment will enable the execution of tele-medicine and remote learning called out above in the trends.

Appendix B: Sierra Business Council

Founded in 1994, the Sierra Business Council (SBC) describes itself as "a member-based organization of over 700 individuals and businesses who are committed to pioneering innovative solutions in the Sierra Nevada". SBC works within the Sierra Nevada Range from the Lassen County Communities to Kern County in the southern Sierras. The region comprises an estimated population of 1.2 million.[1]

SBC's mission is to "pioneer innovative projects and approaches that foster community vitality, environmental quality, economic prosperity, and social fairness in the Sierra Nevada".

This report synthesizes information about SBC's business model gathered during in-person interviews with SBC staff (Frisch, 2010) as well as other secondary research compiled on the organization for this study.

SBC's business model is notable among those of researched EDCs because it emphasizes certain practices that contribute to every single one of this study's goals. Moreover, the practices aid SBC in transforming rural business factors, which would typically be understood as negative, into a positive basis for a distinctive service offering. In doing so, SBC offers an interesting case study for considering not only model practices of a sustainable EDC, but also those practices that could lead to exceptional, possibly innovative results.

Our analysis and evaluation of SBC's business model focused on understanding their development and implementation of practices that are both model as well as those which set them apart from their EDC peers. The latter are called set-apart practices. This means that we sought to know what kinds of exceptional practices are employed by SBC as well as how they do it.

Value Proposition Framework of an EDC

Value Proposition

SBC's value proposition is that it provides a unique set of services that are not easily duplicated by others in its region and that these services reflect the values of the region it represents. It does this by establishing itself as the "go to" partner of key regional

1 Frisch, S. (2010, April 22). President of Sierra Business Council. (Sustainametrics, Interviewer).

government, utility, labor and basic service infrastructure providers.

Many of SBC's services focus on assisting clients with ecological, sustainability-related business issues –recent AB 32 requirements that local governments and utilities have to address in California are an example. SBC offers a range of consulting services to these groups around this particular discipline, which we estimate to be hard to duplicate, given the newness of many of the requirements.

Sierra Business Council's attention to innovation is comprehensive. Notice how they name their services according to the key community value it represents.

Organization

Governance

SBC is setup as a 501 (c)6 business association, with the ability to conduct typical EDC functions. A Board of Directors that works with the President runs the organization.

Core Capabilities

SBC works for clients and local communities as resource suppliers, technical assistance providers, and as full-scale partners in long-term projects, offering expertise in:

- Community planning
- Collaborative process facilitation
- Sustainable business practices

- Natural area conservation and open space planning
- Ecosystem services planning
- Rural economic development

Three of the six capabilities above (written in blue) deal with businesses associated with regional ecological sustainability issues. This is notable because many rural EDCs have substantial land and ecological resources. This is typically portrayed as a weakness of rural regions – responsibility for maintaining environmental assets is fragmented among many regional, state and federal government entities. They are not directly revenue producing but require funding for ongoing management.

However, SBC offers several business services related to the management and administration of these environmental assets, including:

- Conservation Planning
- Sustainable Forestry
- Ecosystem Service Markets
- Carbon Footprint/Offset Projects
- Agricultural Preservation Policy
- Stewardship Contracting

How do they do it?

We sought to understand "why" and "how" SBC is able to concentrate so much of its organizational energy on business services related to environmental sustainability. The research appears to indicate that that SBC's environmental capabilities were developed from superior data collection combined with successfully positioning itself against geographic realities that work against jurisdictions.

SBC has compiled data about the region's environmental, social and financial assets over many years. It has used that information to create business services for the political jurisdictions and others that are formally responsible for those assets – particularly the environmental ones.

The geographic reality of the Sierra Nevada is that many environmental assets cross multiple jurisdictions, meaning that their management requires intense coordination among many entities. SBC coordinates business across several jurisdictions at a time, accomplishing something that might be quite difficult (and expensive) for an individual jurisdiction to do on its own.

Operations

Strategic Plan

SBC's strategic plan is updated quarterly, which they believe helps them become more effective in the execution of the plan and projects. On an annual basis, they identify the three most important issues that they want to work on for the year, along with specific administrative strategies. They also note that each project that they take on is vetted to make sure that it adheres to the values of the organization, in addition to its fit within the strategic plan.

Leadership and Management

SBC is run by a Board of Directors and an executive manager. SBC's President, Steve Frisch is a skilled facilitator who manages program development and staff and takes a leadership role in improving community planning and integrating sustainability. Steve possesses the qualities of a strong leader mentioned in our report and as such, he effectively cultivates collaboration, funding opportunities and provides strong advocacy at the state level.

Staffing

SBC reports that it has 17 staff members, led by President Steven Frisch. Staff roles follow traditional organizational format, with a vice president, communications, development, finance, project and administrative personnel. There are also volunteer interns from colleges to help keep overhead costs low.

Business Model

Revenues

SBC's diverse revenue streams distinguish it from most California-based rural economic development organizations. SBC reports that it currently earns revenues from consulting services, project management as well as from membership and donations. SBC staff provided several examples of revenue generation performed by the organization. For example, they:

- Set up energy efficiency programs within Sierra Nevada communities that reportedly saved $13 million
- Developed leadership teams to execute climate action plans for Sierra Nevada communities

- Performed community-wide greenhouse gas measurement for Sierra Nevada local governments
- Administrated grant programs, earning a fee based upon the size of grant being administrated
- Worked with local governments to help form PACE districts in the Sierra Nevada region

While SBC's revenue streams appear to be from very diverse sources, analysis of their activities indicates that a good portion of the work SBC performs centers on ecological sustainability and their role within the work is as a fee-for-service provider to a local government or utility. The generation of diverse revenues is a model practice. Basing a significant share of its fee generation on areas typically associated with the economic weakness of rural regions sets SBC apart from its EDC peers. Finally, SBC seeks to monetize thought leadership, selling reports and research through its website. While we assume that the level of revenue generated by these sales is deminimus, the practice shows SBC's detailed attention to revenue generation and marketing beyond that reported by many peer EDCs interviewed.

Online Sales Page on SBC Website

Cost Structure

Staff salaries and benefits, travel, legal and accounting make up the largest portions of the SBC cost structure.

Regionalism & Collaboration

SBC indicates its main partners and clients are regional governments, labor, utilities and providers of certain basic infrastructure. Much of the research available supports the idea that all of these entities are both partners and clients of SBC, depending upon the engagement at hand. This leads to two conclusions: a) SBC focuses primarily on relationships with providers which are irreplaceable – a primary reason for its success, we feel, and b) SBC's business model is nearly completely based on collaboration. Both of these conclusions are notable and are model practices for other EDCs.

Marketing via Research and Thought Leadership

SBC has 15, authored documents on its web site that are publicly available either for free or for purchase. Most are toolkits and research authored by SBC staff, in conjunction with foundations and other partners. The documents are clearly aimed at regional governments as well as private citizens.

SBC has also won awards for some of its publications. The publication of thought leadership, research and tools for clients and the broader public is a notable validation of SBC's expertise and leadership. Winning awards for such work supports its claims of expertise. This is powerful marketing, further strengthening SBC's ability to diversify its revenue via consulting fees.

SBC's marketing and monetization of its expertise via information products and its brand are exceptional when compared to other EDCs, making them set apart practices.

Metrics

SBC conducts in depth data collection and analysis of more than 60 indicators of the social, natural and financial wealth[2] of the Sierra Nevada region. However, our research did not reveal any specific metrics employed to measure SBC's own business and/or operational performance, although the level of attention devoted to strategic planning[3] suggests that some level of internal measurement is in place to assess the organization's performance. Further study would be required to confirm these possible details.

Conclusion

SBC's model and set-apart practices are listed in the table below. Note that the lack of available data during research restricted the evaluation of available information to mostly qualitative analysis.

SBC's Practices

Model ("M") and Set-apart practices ("S")	Limitations

• **Multiple revenue streams prove business model's credibility beyond 'grants and gravel' (M)**
  ○ Positioning as "go to" partner of firms critical to regional infrastructure (M)
  ○ Professional services offered solve clients' current and future business problems (M)
  ○ Focused capabilities on ecological and sustainability-related business services; turning a rural negative into a positive (S)
  ○ Monetizing its brand and thought leadership online (S)
	• Lack of historical data on operational and business results with which to quantify and verify success as well as link them to particular operational activities
	  ○ Unclear timeframe – no data present to verify how long this particular business model has been in effect
	  ○ Limited cost structure information
	• 40% of revenue still grant-dependent: still a significant amount

• **Integrated, values-driven business model**
  ○ Alignment of mission and values with strategic planning process (M)
  ○ Services offered named after community goals (S)
  ○ Collaboration-intense (M)	

• **Intentional innovation:** SBC's own purpose statement stresses "pioneering innovative solutions" (S)
  ○ Application of systems-thinking (M)
  ○ Published thought leadership tools to solve regional problems (S)
  ○ On-going strategic planning (M)	

2 Sierra Business Council. (2007). The State of the Sierras - 2007. Sierra Business Council.
3 Frisch, S. (2010, April 22). President of Sierra Business Council. (Sustainametrics, Interviewer).

Nonetheless, SBC's particular combination of chosen practices within its business context as well as the level of revenue diversification achieved are notable, worthy of specific discussion and provide some degree of support for the credibility of its model and set-apart practices. Moreover, SBC's ability to generate revenue from a business context typically cast as negative for a rural region is particularly innovative.

Works Cited

Sierra Business Council. (n.d.). About SBC - Sierra Business Council. Retrieved June 1, 2010 from Sierra Business Council : http://www.sbcouncil.org/About.

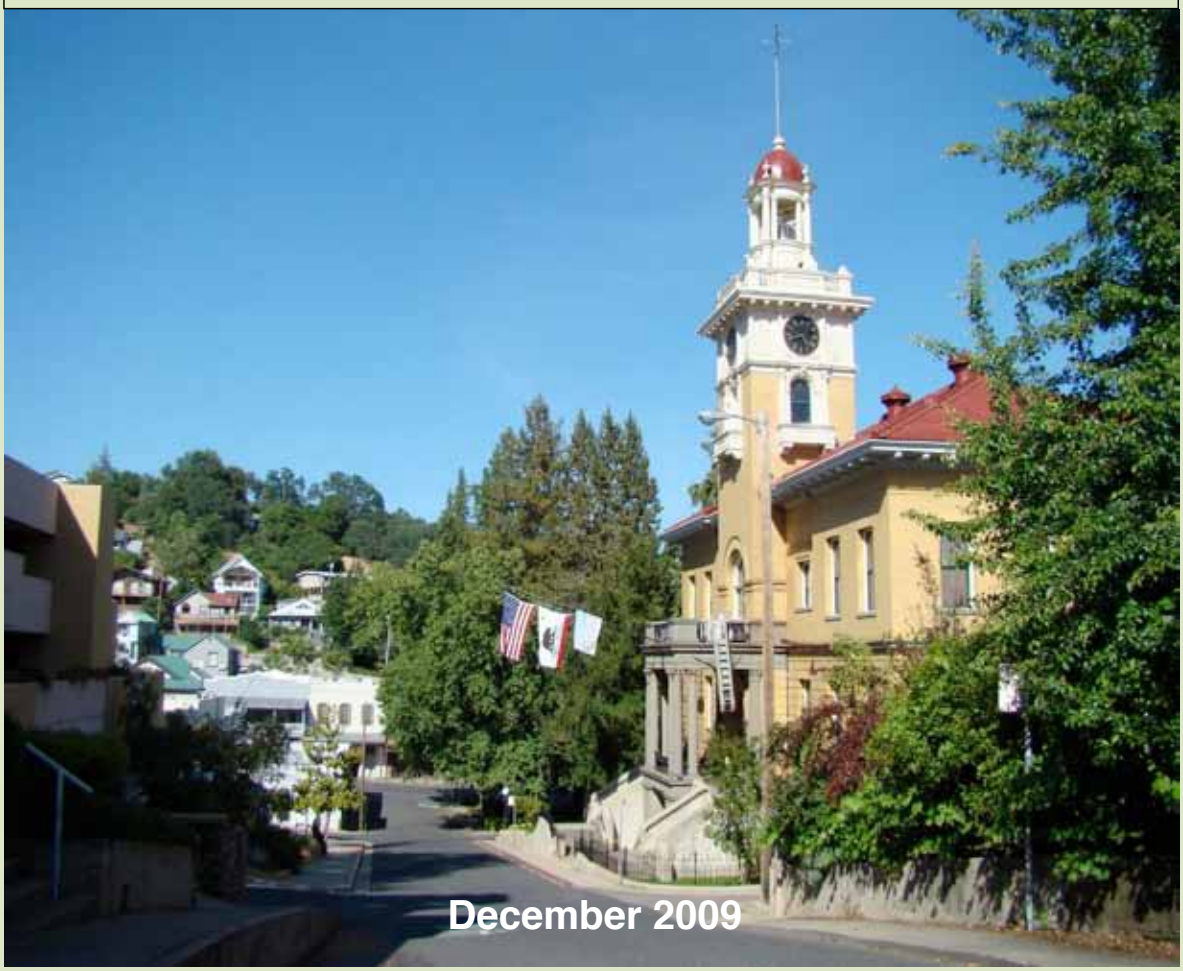
Sierra Business Council. (n.d.). Services. Retrieved May 15, 2010 from Sierra Business Council: http://www.sbcouncil.org/Services.

Appendix C: Tuolumne County Strategic Plan

TUOLUMNE COUNTY

ECONOMIC DEVELOPMENT AUTHORITY

2010-2015 Work Plan



Tuolumne County
Economic Development Authority
Work Plan
December 2009

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Purpose Statement

The TCEDA is vested with the power to effectively implement, coordinate and administer general economic development programs within the County of Tuolumne, State of California, including the City of Sonora, in accordance with local, state and federal laws. General economic development programs shall include, but are not limited to: 1) business retention and expansion; 2) business attraction; 3) business assistance programs; 4) identification of appropriate locations for and creation of "shovel ready" commercial and industrial properties including but not limited to adaptive reuse; 5) support the creation, expansion and rehabilitation of public infrastructure needed to support and sustain local business and industry (e.g. roads, water, power, sewer, telecommunications, etc.); 6) assist with educational and training opportunities tailored to equip and support the community's workforce; and 7) pursuit of funding sources to facilitate all of the above. In carrying out its general mission of economic development, the goals, policies and implementation programs of the TCEDA shall be generally consistent with those contained in the Economic Development Element of the Tuolumne County General Plan and Economics Element of the City of Sonora General Plan.

Work Plan

Overview of the Economic Development Work Plan

This work plan provides a road map for the Tuolumne County Economic Development Authority to implement its economic development agenda over the next five years.

First Year Priorities

Business Retention and Expansion

Action Item:
Manage a business retention and expansion program focused on companies of ten employees or more.

TCEDA Role:
Arrange meetings, trainings and other events with existing businesses and assist them in finding capital, managing their business, expanding their markets and creating family wage jobs.

Measureable Outcome:
Conduct visits with a minimum of twenty-five existing businesses. Assist those businesses who need support.

Action Item:
Work with existing and new businesses to navigate bureaucracy at the local, state and national level.

TCEDA Role:
Arrange meetings for new and existing businesses with city, county, state and national government staff. Maintain weekly meetings with City and County Administrators to keep them up to date on issues affecting businesses and their respective entities.

Measureable Outcome:
Assist a minimum of one hundred new and existing businesses to solve issues at the city, county, state and national level.

Work Plan

Business Retention and Expansion (Continued)

Action Item:
Help identify and assist in removing obstacles to land use and the decision-making process within the County of Tuolumne and the City of Sonora.

TCEDA Role:
Work closely with the City and County Staff and attend special committee meetings that may be established from time to time.

Measureable Outcome:
Maintain regular attendance at meetings.

Action Item:
Provide training to existing businesses to help them run their businesses more competitively.

TCEDA Role:
Work closely training partners such as Columbia College, Tuolumne County Chamber of Commerce, Tuolumne County Visitors Bureau, SCORE, SBDC and other partners to provide training to small business.

Measureable Outcome:
An established training and referral program is open and operational.

Action Item:
Provide information to existing businesses to help them run their businesses more competitively.

TCEDA Role:
Provide information through continual research to existing businesses that helps them be more competitive.

Measureable Outcome:
Website is to be filled with helpful data that businesses can access 24/7.

Work Plan

Business Attraction

Action Item:
Inventory community/economic assets with a focus on our competitive advantages and strengths; such as our rich natural resources and excellent quality of life.

TCEDA Role:
Partnership with City and County staff to inventory community and economic assets. Use data to assist in attracting businesses to Tuolumne County and the City of Sonora.

Measureable Outcome:
Coordinate with City and County Staff and provide a summary report back to the TCEDA Board.

Action Item:
Work to fill vacancies of industrial buildings and sites.

TCEDA Role:
Work with existing and attracted businesses to occupy existing building and sites.

Measureable Outcome:
Personally or through real estate agents show fifty new or existing businesses available locations to in Tuolumne County.

Action Item:
Work to fill vacancies of retail and commercial buildings of 15,000 sq feet and above.

TCEDA Role:
Work with existing and attracted businesses to occupy existing building and sites.

Measureable Outcome:
Personally or through real estate agents show new businesses locations within Tuolumne County

Work Plan

Business Attraction (Continued)

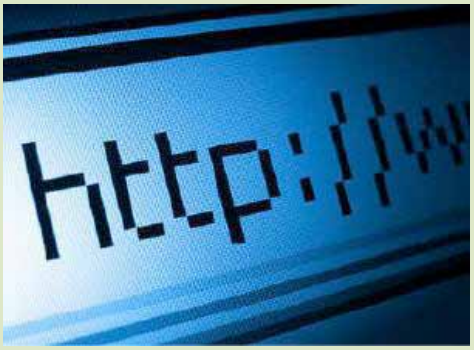
Action Item:
Diversify local economy.

TCEDA Role:
While attracting businesses to Tuolumne County, focus recruitment efforts on businesses that help diversify the local economy.

Measureable Outcome:
Update current industry study. Also conduct a retail study and disseminate the information to the key stakeholders, including the TCEDA Board.

Infrastructure

Action Item:
Assist County and City on finding additional funding and other resources to build city and county infrastructure.



TCEDA Role:
Through our partnerships/contacts, find innovative funding mechanisms and resources to assist the City and County in maintaining and improving infrastructure.

Measureable Outcome:
Provide information to City and County staff and assist in its implementation.

Action Item:
Assist current industrial/business parks to become a "certified" site.

TCEDA Role:
Work with current business and industrial park owners and the State of California to get Tuolumne County industrial/business parks "certified".

Measureable Outcome:
At least one Tuolumne County industrial/business park becomes certified.

Work Plan

Infrastructure (continued)

Action Item:
Assist in planning for future industrial/business parks.

TCEDA Role:
Seek additional sites for industrial/business parks.

Measureable Outcome:
Coordinate with City and County Staff and provide a summary report back to the TCEDA Board.

Administration

Action Item:
Create a consistent ongoing message to businesses about resources available from the TCEDA.

TCEDA Role:
Create a communication plan and carry out the actions within.

Measureable Outcome:
Create a communication plan for approval of the TCEDA Board and then carry out the plan.

Action Item:
Create a Public Relations campaign to promote the importance the Economic Development Authority to the citizens of Tuolumne County.

TCEDA Role:
Create a Public Relations campaign policy and carry out the actions within.

Measureable Outcome:
Create a Public Relations campaign for approval of the TCEDA Board and then carry out the plan.

Work Plan

Administration (continued)

Action Item:
Create an Economic Development Slogan and unified identity for the county.

TCEDA Role:
Conduct a visioning meeting with a wide variety of interested parties to create and select an economic development slogan and identity.

Measureable Outcome:
Create an Economic Development Slogan and unified identity for approval of the TCEDA Board and then implement the slogan.

Action Item:
Create a sustainability plan for EDA

TCEDA Role:
Create a sustainability plan and carry out the actions within.

Measureable Outcome:
Create a sustainability plan for approval of the TCEDA Board and then carry out the plan.

Partnerships

Action Item:
Develop partnerships and relationships with Federal and State agencies that control land within Tuolumne County.

TCEDA Role:
Work closely with federal agencies through one-on-one meetings with key staff.

Measureable Outcome:
An established and ongoing relationship with Federal and State agencies.

Work Plan

Partnerships (continued)

Action Item:
Develop partnerships with workforce agencies such as the WIB (Workforce Investment Board)

TCEDA Role:
Work closely with workforce partners to form innovative partnerships to assist our businesses in hiring and training new and existing employees.

Measureable Outcome:
An established and ongoing relationship with workforce partners.

The following are three and five year goals that will be prioritized at the annual review of this document in January of 2011

3 year priorities

- Certify Tuolumne County Economic Development Authority as a certified IEDC Agency.
- Continue to encourage workforce development.
- Continue to address insufficient broadband access.
- Pursue the quest of bringing natural gas to Tuolumne County.
- Tuolumne County Economic Development Authority to offer CDBG/USDA Revolving loan fund.
- Vision and pathway for local youth to establish careers in this community.
- Focus on partnerships and relationships.
- Work with Local Tribal Councils on economic development partnership projects.
- Capitalize on our senior population's time, expertise, and resources.

5 year priorities

- Provide a plan that will address parking/pedestrian issues in local communities.

Appendix D: Reference Materials & Survey Questions

Supporting Reference Materials and Documentation for Legislation and Policy Section

University of California, Berkeley Center for Labor Research and Education
"The Economic Consequences of Proposed California Budget Cuts"
Authored by Ken Jacobs, Laurel Lucia and T. William Lester May 2010
http://laborcenter.berkeley.edu/californiabudget/budget_impact10.pdf.

The Economic Impact of AB 32 on California Small Businesses
By The Brattle Group, produced for the Union of Concerned Scientists
December 2009. www.ucsusa.org/small-business.

Many Shades of Green: Diversity and Distribution of California's Green Jobs
By Next 10 and Collaborative Economics. December 2009.
www.next10.org/next10/publications/green_jobs.html.

Energy Prices & California's Economic Security
By Professor David Roland-Holst, UC Berkeley, produced for Next 10. October 2009
www.next10.org/next10/publications/energy_prices.html.

Climate Policy and Economic Growth in California: A Comparative Analysis of Different Economic Impact Projections
By Dr. Chris Busch, Center for Resource Solutions. December 2009.
www.resource-solutions.org/pub_pdfs/Climate%20Policy%20in%20California.pdf.

California Climate Risk and Response
By David Roland-Holst and Fredrich Kahrl, UC Berkeley, produced for Next 10. November 2008. www.next10.org/research/research_ccrr.html.

Empowerment Zone
USDA's Rural Development – Toolbox of Training and Technical Assistance
Key Principles of Community Empowerment
http://www.rurdev.usda.gov/rbs/ezec/Toolbox/index.html.

State of California's Role In Economic Development
Little Hoover Commission - Making up for Lost Ground: Creating a Governor's Office of Economic Development
Contact the Commission or visit its Web site: http://www.lhc.ca.gov/.

Questions from EDC Draft Survey

Thank you for taking the time to give CALED and the USDA your opinions and insight regarding model practices and next generation models for California EDCs so that they can be more self sustaining and sufficient. The results of the study will be distributed to all respondents. We will also enter your name (if you choose to enter) into a drawing for five winners of a $50 Amazon gift certificate that can be used to shop online at the world's largest store for CD's, DVD's, books and gifts. All answers are anonymous and confidential.

About your Organization

P1. What is the best description of your organization?

a. Economic Development Corporation

b. Chamber of Commerce

c. Travel & Tourism Board

d. Economic development department within a City government entity

e. Economic development department within a County government entity

f. Economic development department within a state government entity

g. Workforce development agency

h. Workforce Investment Board (WIB)

i. Other (please indicate) _____

(Make questions P2-P12 branch off for those respondents who answer Q. P1 with EDC, Chamber of Commerce, Travel & Tourism, or the two workforce options. (answers a,b,c,g, h)

P2. What type of organizational structure does your organization have?

a) Private/Public

b) Public

c) Private

d) Non-profit Corporation

e) Other (indicate)_____

P3. What is your IRS tax code designation?

a) Corporation

b) Partnership

c) Government entity

d) 501c3 (tax exempt charitable organization)

e) 501c4 (tax exempt civic league, social welfare organization)

f) 501c6 (tax exempt business league, chamber of commerce, etc)

g) other (indicate) _____

P4. How long has the EDC been in existence in current format? (_____ years)

P5. How many full time personnel in the organization?

1

2-3

4-6

7-10

11-15

15-25

25+

P5b. How many part-time personnel in the organization?

1-2

3-5

6-9

·10-15

16-25

over 25+

P6. Does your EDC have a governing body?

Yes___ No ____

Type

Board

Local government

Other _____Please indicate

P7. What is the population of the area served by your EDC?

0-5,000

5,001-10,000

10,001-25,000

25,001-50,000

50,001-100,000

100,001-250,000

250,001+

P8. Is your community typically considered:

urban
suburban
or rural
Combination urban-rural

P9. What are the top three industry sectors in your service area?
(Choose top 3, 1 for most important, 2 for second, & 3 for third)

Construction

Agriculture

Education & Health Services

Financial activities

Government

Information

Leisure & Hospitality

Manufacturing

Natural resources & Mining

Professional & business servicesTransportation & utilities

Wholesale & retail trade

Clean tech (bio tech, alternative energy, etc)

Other industries _____

P10. If you are member based EDC, what is the size of your membership?

1-25

26-75

76-100

100-150

150-250

250+

NA

P11. Where did your 2009 funding come from, and where do you expect 2010 funding to come from, broken down by percentage (percentages must add to 100%-system will add cumulatively as numbers are entered)

	% of 2009 revenue	% of 2010 revenue
Membership Fees		
Event fees		
Loan Fees		
City/County Government Grants		
State Grants		
Federal Grants		
Private Grants		
PACE Bond Fees (property assessed clean energy funds)		
Transient Tourist taxes (Transient Occupancy Tax)		
Real Estate Management Fees		
Service Fees (type of services for which fees are charged)		
Enterprise Zone (EZ) Vouchers/Management		
Fundraising (events, annual dinners, etc)		
Sponsorships		
Site Location Assistance		
Business Improvement District		
WIB Rapid Response/Layoff Aversion		
Workforce Development		
Other (indicate) _____		
Other (indicate) _____		
Other (indicate) _____		

P12. What has been the most effective action that you have taken to make your organization more self-sufficient? _____

Regionalization & Collaboration (R)

R1. Do you partner with another organization to share costs? Y/N If yes, who?
R2. What would you be willing to collaborate on in order to reduce costs?

a. Marketing, Public Relations & Outreach
b. Grant Processing
c. Lending services
d. Technical Assistance
e. Training
f. Political Advocacy
g. Technology share (ie. shared software license or database costs)
h. Other

Technology & eCommerce (T)

T1. Indicate the extent you use the following technology in your organization today (1 is no use, 5 is extensive use) and what you plan to use in the next 2 years. Current use Next 2 years

Ecommerce (selling and collecting payments online)

Interactive website (ie. input forms, members only section, relational database)

Social media (Facebook, LinkedIn, Twitter, etc.)

Email marketing (ie. Constant Contact)

CRM (ie: Salesforce)

Blogs

Online Forums, bulletin boards

Online surveys

Content management system (CMS) for your website that allows employees to add/edit content themselves.

Online relational databases for member profiles and directories, business matching, service searches and matches

GIS & Interactive Maps

Economic impact analysis software

Wireless communications

T2. To what extent does your organization deliver the following technical services on a scale of 1-5 where 1 is not at all and 5 is extensive delivery.

Lending Programs

Site Selection Assistance

Economic, Demographic, Market Information

Real Estate Management (Industrial/Business Park)

Enterprise Zone Management

Target Industry Studies

Industry Clusters

Permitting Assistance

Business Counseling

Tax breaks and financial incentives

Referrals to other local business services (SBDC, WIB, etc)

Utility Incentives, Rebates, Special Programs, and Energy Rate Analysis Assistance

Workforce Training

Fiscal Impact Analysis

Marketing

Business Tax Incentive Information: Cost segregation, Bond financing such as Industrial Development Bond program and Recovery Zone Bonds, Enterprise Zone, Empowerment Zone, MRZ, HUB Zone, and Foreign Trade Zone

Innovation & Entrepreneurship Centers (such as incubators)

Marketing, Management, Reporting (M)

M1. Out of the following marketing tools/methods, how effective are the ones you use (1 is not at all effective and 5 is highly effective) and which do you plan to use in the next 2 years? :

Electronic newsletters,

Social network sites (Twitter, Facebook, LinkedIn, etc.)

Trade missions

Direct sales to Industry Associations

Blogs

Interactive Maps on Web

Webcast events

Site Selector Tours

Event Promotion

Video Success Stories

Community training

TeamCalifornia

Regional Marketing Collaborative

Marketing Collateral (brochures, etc)

Other

Governor's Office of ED (G)

G1. How important is it that the following services are provided by the Governor's Office of ED (1 not at all important, 5 is very important)
Policy/Legislative Advocacy on behalf of EDC's
Funding Stream for Economic Development
One stop shop for business permits and licensing
One stop shop for State grant applications

Database for matching services and ED organizations
Technology services (ie. matching databases, GIS, etc)
Economic research at a state and regional level
Business Attraction for State on behalf of EDCs
G2. What State laws or legislative changes would improve the effectiveness of your EDC?
List your top 3.

Organization Needs (N)

N1. Please indicate your top 5 needs to be more effective:
(limit to 5 choices)

Aid for creating incubators, entrepreneurship centers, business parks

Office services (office space, phone/broadband, meeting spaces)

Co-marketing, collective marketing campaigns (print materials)

Training of staff on technical ED topics

Which topics? _____

Web and email marketing

Social networking

Community business databases

Economic impact analysis

GIS, mapping

Clean tech business attraction information/assistance

Federal, State and local incentive programs

Reduction of permit complexity in my community

Reduction of local legal requirements for business set-up

Business Tax relief

Business licenses fee relief

Other (indicate) _____

CALED Services (N)

N2. Please rate your awareness of, the importance of, and your satisfaction with the following services that are offered by CALED: 1 is low, 5 is high

Awareness (1-5) Importance(1-5) Satisfaction (1-5)

Advocacy for Economic Development

Information Sharing on model practices

Best Practice Awards & Recognition

Education/Information on Green Businesses & Sustainability

Education/information on Entrepreneurship & Business Start-ups

Information on technology transfer start-up opportunities for businesses

Connections to Appropriate ED Financing Sources

Calculate the impact of projects Business Retention resources

Elected Officials Training & Education

Issue Industrial Development Bonds to Help Manufacturers

On-Site Technical Assistance (PAS)

Promote economic development job openings

Staff training in basics of economic development

Thank you for your input. If you would like to receive a copy of the executive summary of our study and be entered into the drawing to win a $50 Amazon gift certificate, please enter your contact information below. Again, your email will not be tied to the survey data.

Name _____

Email address _____

Thank you again.

Acknowledgements:

The California Association for Local Economic Development (CALED) initiated this report on Economic Development Corporations (EDCs) and has a long history of working with rural EDCs and understanding their unique challenges and opportunities. Appreciation is extended to Wayne Schell, CALED President & CEO, Gurbax Sahota, COO, and Michelle Stephens, ED Research Specialist, for their leadership, writing, editing, and support during the various stages of the project, as well as to Nathan Pizzo for his artistic contribution.

Additionally, thanks goes to the United States Department of Agriculture-Rural Development for awarding the grant, which allowed CALED to analyze and determine how EDCs can be economically sustainable while remaining a thriving, valuable component in their economic development community.

It is also important to thank the Economic Development professionals who took time out of their schedules to work with CALED and Sustainametrics on this report. To the over 60 EDC executives in California and outside the State who spoke with us and answered our surveys and inquiries, thank you.

Special recognition to our EDC Advisory Council:

- Larry Cope, Director of Economic Development, Tuolumne County Economic Development Authority
- Bill Davis, Facilitator & Trainer, W.R. Davis Collaborative
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- Karen Firestein, USDA-RD Representative
- John Lehn, President & CEO, Kings County EDC
- Michael Manchak, President & CEO Economic Vitality Corporation of San Luis Obispo County
- Kathy Millison, City Manager, City of Santa Rosa
- Marc Nemanic, Executive Director, 3CORE
- Paul Saldana, CEcD, President & CEO, Tulare County EDC

About CALED: The California Association for Local Economic Development (CALED) is the premier Statewide professional economic development organization dedicated to advancing its members' ability to achieve excellence in delivering economic development services to their communities and business clients. CALED's membership consists of public and private organizations and individuals involved in economic development: the business of creating and retaining jobs.

About Sustainametrics: Sustainametrics provides consulting expertise, web-based tools and knowledge bases to businesses, economic development entities and government agencies to help them achieve high sustainability performance.

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