

DDA 2020/2021 GENERAL FUND BUDGET NARRATIVE

Within the DDA's General Fund, I have noted a significant increase (\$3,450,000) because of the anticipated use of grants that we have recently received from the State of Michigan, Rotary, USDA, and EGLE. The Rotary and the State of Michigan grant funds (\$3 million in total) was secured for the Civic Square project. The grant dollars are recognized in the revenue line item under "grants" and the expenditures are split out one for Civic Square of \$3,000,000 and the remaining grant activities under "capital outlay".

There is also a new line-item within the General Fund for the Farmer's Market. Farmers Market revenue is identified as "rent". The expenditures for the online market will not be disbursed from this account, rather from a liability account where (where all revenue and expenditures are disbursed from). The Farmer's Market line item therefore will only be used relating the physical market expenditures.

The Traverse Connect contract is proposed to be listed under the Professional Services line item. If approved by the DDA, I will work with Traverse Connect to bring forward a contract for review and consideration. This would be a sole source contract as Traverse Connect is the only economic development organization in the region - the other organizations are Northern Lakes Alliance who services Antrim, Emmet; Alliance for Economic Success serving Manistee, Benzie and Wexford; and then the Right Place that serves the greater Grand Rapids area. Traverse Connect is the only local EDO to complete this service to allow our community to start a retention, expansion service for our region locally.

As a reminder of what the contract would do:

Approaches for Retention Visits:

- Initial surveys/site visits to assess needs
- Convert information into specific actionable tactics and recommendations
- Process that allows businesses and other interested parties to review business survey findings

Brainstorm ideas and prioritize and choose strategies examples:

- Forming cooperative purchasing alliances
- Launching group advertising initiatives
- Downtown marketing plan to attract more customers/motivate existing customers.

Amidst the aftermath of COVID-19, special consideration must be paid to retaining businesses with acute struggles – an important warning sign that merits direct attention is a business owner who plans to sell, close, or retire (we already know of four). In working with these businesses, it is important to develop strategies consistent with district activities already under way:

- Opening a complementary new business or identifying new markets for current products
- Adding new product lines or services to capture a wider market range
- Repositioning the business by changing its product mix or relocating within the district
- Opening under one-ownership companion shops that support each other
- Serving as a liaison between the business owner and potential buyers or brokers
- Identifying potential internal buyers or providing resources on succession planning
- Developing a financial incentive package for buyers or an employee buy-in program
- Assisting business owners with public relations support to market their business

A matrix of success will be developed together with Traverse Connect. Approaches that I have developed that would start that discussion include:

- Factoring job creation, business growth, retention rates, net job growth, customer satisfaction. Putting various emphasis on qualitative versus quantitative measurement methods.
- Also Traverse Connect would build a data dashboard that will track job growth and business development --- which will be public and transparent accountability metrics.

Customer Satisfaction Measurement: When measuring satisfaction with business retention expansion services, qualitative approaches such as surveys and interviews can provide deeper feedback and broader responses than quantitative studies or ratings. These methods give businesses the opportunity to tell EDOs which aspects of their services worked well and which have not.

Measuring linkages and outcomes: A piece that the DDA and City would value (I believe) is we need to measure business community relationships, supply chains, sector growth and interconnected networks.

The budgetary change in the DDA General Fund for the contract with Traverse Connect will require \$17,000 from fund balance. However, that may be reduced based on several factors within the budget, however it will not exceed \$17,000 and will keep our fund balance at a healthy level.

DDA Parking Management Agreement Fee: The management fee will be increasing to cover the full costs of the employee's assigned specifically to parking. The fee for this year will be \$772,099 (a 3% increase from last year). This represents a wage increase for parking employees as well as the increased cost of health benefits. This fee has always been billed monthly. We will move forward with billing based on actual employee costs in the new budget year.

The purpose for this change is that we, like many employers, are faced with laying off/furloughing employees and may have difficulty getting back to being fully staffed due to reduced operations. We also anticipate that summer positions may not be filled due to the decrease in need. However, we may reposition duties of current employees to help in other areas of the parking system. It is important to identify that there are no costs for this contract that is paid to the DDA general administrative operation.

City of Traverse City, Michigan
 DDA COMPONENT UNIT
 DDA GENERAL FUND
 For the Budget Year 2020-21

| | FY 17/18 Actual | FY 18/19 Actual | FY 19/20 Budgeted | FY 20/21 Requested |
|---|--------------------|--------------------|----------------------|-----------------------|
| REVENUES | | | | |
| Property Taxes | \$ 192,798 | \$ 134,996 | \$ 137,500 | \$ 137,500 |
| Grants and Reimbursements (Civic Sq./EGLE/USDA) | 10,000 | 117,200 | - | 3,450,000 |
| Reimbursements | 767,999 | 957,343 | 1,195,400 | 1,358,204 |
| Rental Income | 55,015 | 56,175 | 53,000 | 42,000 |
| Interest Income | 563 | 732 | 200 | 500 |
| Use of Fund Balance | - | - | - | 17,296 |
| TOTAL REVENUES | 1,026,375 | 1,266,446 | 1,386,100 | 5,005,500 |
| EXPENDITURES | | | | |
| Salaries and Wages | 683,488 | 695,358 | 892,000 | 917,593 |
| Fringe Benefits | 115,630 | 242,177 | 269,000 | 308,878 |
| Office/Operating Supplies | 12,818 | 10,000 | 13,000 | 13,000 |
| Professional Services | 46,729 | 158,905 | 87,000 | 110,000 |
| Contract Services | | 31,000 | - | 31,000 |
| Communications | 6,483 | 4,800 | 6,000 | 50,000 |
| Transportation | 2,453 | 5,000 | 4,000 | 5,000 |
| Lodging/Meals | 5,211 | 10,000 | 10,000 | 10,000 |
| Training | 1,718 | 10,000 | 10,000 | 10,000 |
| Farmer's Market | | | | 53,000 |
| Community Promotions | 14,930 | 11,500 | 20,000 | 20,000 |
| Printing and Publishing | 5,104 | 1,500 | 5,000 | 6,000 |
| Insurance and Bonds | 1,586 | 1,800 | 1,800 | 1,800 |
| Utilities | 4,816 | 8,000 | 9,000 | 9,000 |
| Repairs and Maintenance | 3,325 | 3,011 | 2,200 | 3,000 |
| Rentals | 8,083 | 8,626 | 9,000 | 9,000 |
| Legal Services | - | 5,000 | 5,000 | 5,000 |
| Miscellaneous | 195 | 400 | 2,000 | 2,000 |
| Capital Outlay | 8,061 | | 9,000 | 438,000 |
| Rotary Square | | - | | 3,000,000 |
| TOTAL EXPENDITURES | 920,630 | 1,207,077 | 1,354,000 | 5,002,271 |
| USE OF FUND BALANCE | | | | |
| EXCESS OF REVENUES OVER/UNDER EXPENDITURES | 105,745 | 59,369 | 32,100 | 3,229 |
| Beginning Fund Balance | 397,510 | 503,255 | 562,624 | 594,724 |
| Ending Fund Balance | \$ 503,255 | \$ 562,624 | \$ 594,724 | \$ 597,953 |