



Legislation Details (With Text)

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12/16/2010	0	City Commission	Approved as Recommended	Pass

Reappropriation of Economic Development Fund (B)

At its November 15, 2010 meeting, the CRA heard a presentation from staff about re-appropriating and moving line items in the Economic Development Fund (ED Fund) to isolate the accounting for GTEC operations. Staff also presented the concept for a local Seed Fund program as a recommendation of where to move some of the funds currently appropriated in the ED Fund.

To that end, the CRA voted to request the City Commission to release current appropriations in the ED Fund, and subsequently re-appropriate \$75,000 towards the creation of a Seed Fund program. The CRA also directed staff to bring a proposed model for the Seed Fund program to the City Commission in December.

The ED Fund is a multi-year General Government account, set up to fund city-wide economic development initiatives. The fund was initially capitalized with Occupational License revenue and has had periodic injections from the General Fund and GRU, the most recent being in FY05. Over the years, several appropriations have been made in the ED Fund to reflect varying programmatic objectives.

The largest line item in the ED Fund is for GTEC operations (#6660). This item is set up to resemble an Enterprise Fund, with rent revenues offsetting operating expenses. However, since its inception, GTEC has operated with an annual net loss of about \$10,000 to \$20,000. This deficit has been funded out of the ED Fund and has slowly depleted the ED Fund fund balance. Because of this depletion, ED Fund appropriations are now greater than the available fund balance. As of June 30, 2010, \$223,505 was appropriated in the ED Fund, notwithstanding GTEC operations. The fund balance as of June 30, 2010, was \$219,707.

Additionally, the City's Budget and Finance Department has recommended that the ED Fund be used only for GTEC accounting, and that funds for other economic development initiatives be moved to separate accounts.

In FY11, \$50,000 from the ED Fund Account was reappropriated and moved from the Entrepreneurship Charter School (E100) to the Office of Equal Opportunity to fund a mentorship program. The other line items in the ED Fund represent appropriations that are no longer needed.

Staff is recommending a release of current appropriations, and a subsequent re-appropriation of the fund balance, to: 1) free up funds for other economic development initiatives (specifically the Seed Fund program); and 2) ensure that appropriations better reflect the available fund balance and projected expenditures of funds.

Three specific appropriations were set up by Resolution and require the City Commission to authorize any changes:

E105: Economic Development/GRU Initiatives

In FY05, \$100,000 was transferred from GRU's contingency budget to be used towards funding economic development projects not otherwise part of the City's normal budget for economic development activities. In FY07 the City entered into a \$50,000 contract with the Gainesville Council for Economic Outreach to use these funds for activities tied to developing the innovation economy, however the contract expired without any funds being expended.

E107: DayJet QTI

In FY06, \$34,000 was appropriated to a QTI for DayJet, which is no longer in business.

E108: Ignition QTI

In FY07, \$50,000 was appropriated to a QTI for Ignition Entertainment, which has moved outside of the City limits

Two appropriations are tied to GTEC operations:

E103: GTEC Tenant Transition Program

\$30,000 is appropriated to assist GTEC graduates with soft costs, such as engineer or architect fees. No formal program has been developed, nor have any funds been expended since the appropriation was made.

E104: Land Acquisition Program

\$38,719 is appropriated for the purchase of vacant properties around GTEC to assemble land for a potential, future technology campus. The City has purchased several parcels around GTEC and no future purchases are planned.

The final appropriation is nominal:

E102: Business Retention Program

\$756 is appropriated toward a business retention program that has not been formalized.

The CRA is well-positioned to carry out economic development initiatives in the city's core, particularly in the area of economic development finance. Over the last year, the CRA contracted with the National Development Council (NDC) to assess existing city-wide economic development financing resources, as well as to launch several new economic development financing programs, including the Grow Gainesville Fund and the Capital Access Program to supplement the SBA's 504 Loan program. Also, in FY11 the Small and Minority Business Development Coordinator position and management responsibilities associated with GTEC were transferred from General Government to the CRA.

As part of the needs assessment process, NDC, CRA staff and other community stakeholders identified early-stage funding as a key component of attracting and growing local companies, and a critical gap in Gainesville's funding continuum. To meet this need, staff presented the CRA with the framework for a local Seed Fund program.

The CRA voted to request the City Commission to: 1) release the appropriations outlined above; 2) appropriate \$75,000 of the ED Fund fund balance and move it to a separate account, to be used for the capitalization of a future Seed Fund program; and 3) appropriate the balance of funds in the ED Fund for use in GTEC-related programming, and potential future land acquisition and/or tenant transition programs.

Additionally, any future draws for economic development initiatives (i.e. Q.T.I.) could be appropriated from this line item.

There is no fiscal impact to the General Fund. This item releases current appropriations in the ED Fund and reappropriates \$75,000 of the ED Fund fund balance to be used for the creation of a Seed Fund program.

CRA to the City Commission: 1) release the appropriations outlined above; 2) appropriate \$75,000 of the ED Fund fund balance and move it to a separate account, to be used for the capitalization of a future Seed Fund program; and 3) appropriate the balance of funds in the ED Fund for use in GTEC-related programming, and potential future land acquisition and/or tenant transition programs.