Board of Supervisors Memorandum

August 6, 2013

Request for allocation from the Board Contingency Fund for Microbusiness Advancement Center's Grant Application for Economic Development in Ajo

Background

The nonprofit Microbusiness Advancement Center (MAC) has applied for a competitive Rural Business Enterprise Grant from the US Department of Agriculture (USDA) to provide technical assistance to businesses in Ajo. If successful in its grant application, MAC will partner with the International Sonoran Desert Alliance (ISDA) to directly assist in this effort to create jobs and retain businesses in the community. Both organizations have strong track records of successfully implementing economic development projects in Ajo. MAC and ISDA are already collaborating on aspects of the grant that would assist at least nine tentatively identified businesses in the community.

Matching funds are required for MAC to compete for the USDA grant. Staff is requesting $25,000 from the Board Contingency Fund to serve as a local share funding match that will leverage two dollars for every local dollar contributed. If the Board approves and the grant application is successful, $75,000 in direct economic development assistance would be made available for the community. If the competitive USDA grant is not awarded to MAC for the Ajo project, the allocation from the Board Contingency will not occur.

Recommendation

I recommend the Board of Supervisors adopt the attached Resolution No. 2013-____ and approve a $25,000 allocation to the Microbusiness Advancement Center from the Board Contingency Fund if the Microbusiness Advancement Center is successful in its application for a $50,000 Rural Business Enterprise Grant from the US Department of Agriculture to fund economic development projects in Ajo.

Respectfully submitted,

C.H. Huckelberry
County Administrator

CHH/mjk– August 1, 2013

Attachments

c: Hank Atha, Deputy County Administrator for Community and Economic Development

RESOLUTION NO. 2013-_____

RESOLUTION OF THE PIMA COUNTY BOARD OF SUPERVISORS APPROVING AND AUTHORIZING AN EXPENDITURE NOT TO EXCEED $25,000.00 TO MATCH A USDA RURAL BUSINESS ENTERPRISE GRANT FOR ECONOMIC DEVELOPMENT IN AJO, ARIZONA SUBJECT TO APPROVAL OF THE GRANT APPLICATION SUBMITTED BY THE MICROBUSINESS ADVANCEMENT CENTER TO THE U.S. DEPARTMENT OF AGRICULTURE

WHEREAS, the U.S. Department of Agriculture (USDA) intends to allocate funds from the Rural Enterprise Grant Program (RBEG) as part of the department's FY 2013 funding cycle; and

WHEREAS, Ajo, Arizona is a rural Pima County census-designated community which is experiencing an unemployment rate exceeding the State of Arizona's average unemployment rate, is challenged by a poverty rate of close to 23 percent and is in need of business development and jobs; and

WHEREAS, The Microbusiness Advancement Center (MAC) is a non-profit business support organization located within Pima County that has experience in business development, job training, job creation, rural economic development and USDA grant funding; and

WHEREAS, Pima County and MAC have each recognized the need for job creation, job retention and economic development resources in Ajo; and

WHERAS, Pima County has worked with MAC as partners on economic development issues and projects in the past;

WHERAS, the Pima County Board of Supervisors finds that economic development is critical the welfare of county residents and supports job creation, job retention and economic development in Pima County: and

WHEREAS, MAC has submitted a grant application requesting a $50,000.00 RBEG grant that requires a partner match in funding; and a match from Pima County would leverage dollars for economic development in Ajo at a 2:1 ratio if the grant application is approved.

NOW, THEREFORE BE IT RESOLVED by the Board of Supervisors of Pima County that contingent upon MAC's 2013 RBEG application being approved by the USDA, the Pima County Board of Supervisors authorizes the expenditure of a match grant of $25,000.00 in order to provide economic development services in Ajo, Arizona.

PASSED AND ADOPTED ON _____, 2013.

PIMA COUNTY, a body politic and corporate of the State of Arizona:

ATTEST:

_____
Chairman, Board of Supervisors

_____
Clerk, Board of Supervisors

APPROVED AS TO FORM: Karen S. Friar

Karen S. Friar, Deputy County Attorney

PROPOSAL TO PIMA COUNTY SUPERVISORS
REQUEST FOR FUNDING FROM MAC
PURPOSE: ECONOMIC DEVELOPMENT ASSISTANCE IN AJO
Presented July 19, 2013

The Microbusiness Advancement Center (MAC) is requesting economic development funding from Pima County in the amount of $25,000 to provide specific technical assistance to nascent and emerging businesses and entrepreneurs in Ajo, Arizona in order to create jobs, save jobs at risk, and stimulate economic activity in the rural town of Ajo. These funds could be further leveraged with a competitive $50,000 Rural Business Enterprise Grant (RBEG) from the US Department of Agriculture if awarded to MAC. Matching funds are required for MAC to compete for the USDA grant, and thus your consideration and approval of the $25,000 request will strengthen MAC's competitive request for a federal funds award in Ajo.

Ajo, Arizona is a census-designated place (CDP) in Pima County, Arizona, with a current population of 3,304, a 10% decline from the past census. Ajo is currently challenged by an unemployment rate of 11.5%, exceeding the state unemployment rate of 7.8% by 47.4%. The median income for a household (MHI) in the CDP is $25,618 as compared to the MHI for Arizona of $50,448. Ajo's poverty rate fluctuates minimally, and remains close to 23%. This community is in need of funding for business development for microenterprises and the creation of jobs.

The Kauffman Index of Entrepreneurial Activity ranked Arizona as the third most entrepreneurial state in the country. Small businesses are key drivers of sustainable economic development, are at the forefront of rural America's, and specifically Ajo's future. Recognizing the importance of entrepreneurship and small business development is critical to creating sustainable economic development in rural Arizona.

Promoting small business development has a higher potential for generating per capita income growth than any other economic development option. The SBA found that an increase in small business births of 5% would result in a .45% growth in GSP (Gross State Product), a larger impact than any other factor on GSP and total state employment. Programs that support small businesses and build entrepreneurial skills help ensure that aspiring entrepreneurs or current business owners have the skills and tools to start their own business, thrive, generate increasing revenue, and create jobs. Clearly, there is significant need and opportunity to address this potential for future development of Ajo.

MAC is positioned to assist Ajo with the development of new microenterprise opportunities, and save jobs by strengthening existing business enterprises if funding is provided from Pima County. This commitment of funds would additionally create the opportunity for MAC to apply for a USDA Rural Business Enterprise Grant (RBEG) and leverage the money on a $2/1 ratio. All funds would be focused on assisting specific small businesses and subsequently creating jobs in Ajo. This funding strategy could potentially provide a total of $75,000 ($25,000 County;

$50,000 Federal) dedicated to Ajo's business enterprise development and provide a means to create supplemental income to address some of the poverty issues locally.

MAC will compete for the USDA Rural Business Enterprise Grant on the following criteria:

- Rural community in need with population less than 5000 (need established)
- Economic conditions of unemployment greater than the state unemployment by 25% or more (currently 47%)
- Applicant has experience in administering a rural economic development program (MAC's experience well established in the field of business development)
- Applicant has commitment of the community and small businesses for start-up and expansion (collaboration with ISDA and community for Town Center businesses)
- A commitment of non-federal funding is secured that is 50% or more of federal dollars (county funds of $25,000)
- The proposed project will create or save jobs at the rate of 1 job per $10,000 used in federal dollars (attainable)
- The proposed project is consistent with the local plans for the area (confirmed)
- Grant request is under $100,000 ($50,000 with $25,000 match)

The above criteria are scored for each grant proposal and awards are made to top scoring applicants. MAC has worked with the local Arizona USDA office to verify demographics, statistics and scoring criteria to ascertain that the Ajo score will be adequate to compete. MAC also has extensive experience not only in rural economic development programs, but has also worked in Ajo over the past 6 years delivering technical assistance, training, and similar work with other grant funding through the collaboration with the International Sonoran Desert Alliance (ISDA). This proposal also includes a similar collaboration with ISDA who has designated 7 new or emerging specific businesses in their central plaza who are struggling and in need of help to survive and save jobs, as well as 2 emerging entrepreneurs seeking some new business opportunities such as a licensed child care home that can receive state subsidies for child care and thus remove the barrier to working families without that option. With MAC's past experience and performance using federal funds, we expect to create or save a minimum of one job for every $10,000 expended in federal funds, and feel confident that these results are attainable.

ISDA has selected the 9 businesses to be served with these programmatic funds. The Ajo program will consist of a part time program coordinator who will assess the needs of each entrepreneur and company to determine the specific technical assistance needed in order for the company to start, grow, or be sustained. Technical skills for these nascent businesses will be available from a menu of services that will include feasibility assessments, marketing plans, social media advancement, cost and pricing analysis, cash flow analysis, accounting software, and business planning and licensing. Additional assistance will be available for businesses seeking capital and preparing them for borrowing and accessing financing options. Funds will be used to provide professional consultants as contractors to deliver specific technical assistance and skills based upon the assessment and each entrepreneur's individual needs. This will enable MAC to provide the most needed and effective tools for each individual business to thrive. MAC intends to use local consultants when possible to inject money into local economy from this grant

public funding, but will select all consultants based upon proven skills in each area of expertise. Most technical assistance will be provided one on one unless topics are best served by classroom structure for learning purposes, such as a QuickBooks session.

Frequency of assistance and scope of services will be directly affected by the amount of funds from Pima County. Based on MAC's years of business development experience, including the SBA's Small Business Development Center providing business counseling exclusively, a minimum of 40 hours of consultative business technical assistance is necessary to effectively impact a business for stability, expansion or revenue growth. MAC has used this experience for this is program budget allowing for each client to have 44 hours of private consultation, in both scenarios, to insure economic success.

We have included two budgets: one with a $20,000 gift and a $40,000 USDA match; and the second with a $25,000 gift and a $50,000 USDA match. Each of these gifts has the potential to be leveraged at $2 for each dollar contributed. The corresponding budgets are $60,000 and $75,000 respectively. The lesser of the two will only allow for only 4 entrepreneurs to be assisted (at a minimum of 46 hours) and produce outcomes of only 4 new jobs. The greater of the two budgets at $75,000 will provide consultation to the selected 9 entrepreneurs recommended by ISDA (at 44 hours) and will produce outcomes of 6 jobs. Essentially, a $5000 additional contribution from Pima County can have an impact of two additional jobs in the community and potentially provide an income to sustain 2 families currently at risk.

We hope that you will give every consideration to our request for the $25,000 for the additional help to Ajo.

Respectfully submitted:

Michael Landy
Executive Director
Microbusiness Advancement Center