



AGENDA MEMORANDUM

Future Item for the City Council Meeting of April 10, 2018

Action Item for the City Council Meeting of April 17, 2018

DATE: February 22, 2018

TO: Margie C. Rose, City Manager

FROM: Mike Culbertson, COO/CCREDC
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Approving the revisions to the Type A Guidelines adopted in 2018

CAPTION:

Approving the Corpus Christi Business and Job Development Corporation's amended Guidelines and Criteria for granting Business Incentives

PURPOSE:

Approval of the Type A guidelines as required by the statute

BACKGROUND AND FINDINGS:

The economic development sales tax was created in 2002 as a ballot measure, Proposition No.2. The ordinance that placed this proposition on the ballot created a contract with the voters promising that the funds would only be used for education/skills development, business development/incubation, and jobs. Section 8 subsection b) states:

Business Development/Incubation. These funds will be used to develop programs and facilities that assist small and start-up companies that have the ability to produce jobs for the future.

The Corpus Christi Business and Job Development Corporation Guidelines and Criteria for Granting Business Incentives were most recently amended on December 20, 2016. These guidelines provide criteria for the expenditure of economic development funds within the parameters set by the 2002 ordinance. The guidelines define "Small Business" as a primary employer that employs 49 or fewer full time employees.

A request to allow larger companies to participate in the internship program was brought to the Board as part of the most recent amendment to leverage the training programs that were funded by the Board. This change allowed for internships under subsection a), the Education/Skills Development portion of the originating ordinance, which reads:

Education/Skills Development. These funds will be used to make grants to companies and organizations to provide training, retraining and education to insure the knowledge and skills required for the jobs of the future are in place.

The change to the guidelines at that time included a provision to allow large companies to participate in the internship program if they were for a training program that had received grants from the Board. These included aviation skills and process technology. It left open other training programs that may be funded in the future.

The revisions to the section 8 was the addition of subparagraph (h)

Section 8. Education/Skills Development.

(h) Grants for internships made through the Education/Skills Development portion of the sales tax fund must meet following requirements:

- Requests must be made through the application process adopted for all other business applicants.
- The internships must target job skills that are currently needed or will become needed within the next three years as identified by WorkForce Solutions, Inc.
- The companies using interns must pay a portion of the wage and applicable FICA payroll tax portion
- The internship must be through an approved academic or training program
- The grant agreement will be with that academic or training program.
- The grant recipient must implement a program to educate companies that can make use of interns, of the program specifics and how those companies may participate.

Internships have been funded by the Type A Board since 2008 using funds that are set aside for small business assistance. Small businesses request interns through Del Mar College or Texas A&M University – Corpus Christi. The Type A grant agreements with Del Mar College and with Texas A&M University-Corpus Christi are limited to small business. The company pays the intern \$14.25/hour. The company then requests a reimbursement of the Type A side of the grant which is \$5.00/hour plus that portion of FICA.

The Board could allow large businesses to participate in the internship program by amending the guidelines under the Education/Job Training section by deleting the second bullet from Section 8 subsection (h). That bullet reads:

- The internships must target job skills that are currently needed or will become needed within the next three years as identified by WorkForce Solutions, Inc.

Once the change to the guidelines is approved, the agreements with Texas A&M University – Corpus Christi and Del Mar College will need to be amended to remove the limitation that the funds only be used for internships with small businesses.

The Type A Board voted to amend the guidelines at the February 19, 2018 meeting.

ALTERNATIVES:

Council may decide not to alter the Type A guidelines

OTHER CONSIDERATIONS:

There would have to be safeguards in place to ensure small businesses are still being served. The agreements would need to state that all small business applicants must be served before large business applications are considered. To prevent the large businesses from using all of the interns and leaving small businesses without, we would suggest a provision requiring that a preference be given to small business applicants in the programs.

Neither Del Mar College nor Texas A&M University have used all of their grant money in recent

years. There has been almost \$500,000 of their grants that were not spent.

CONFORMITY TO CITY POLICY:

This project is consistent with the City's stated goals of promoting economic development and incentivizing business to expand and thrive in Corpus Christi.

EMERGENCY / NON-EMERGENCY:

Non-Emergency

DEPARTMENTAL CLEARANCES:

Corpus Christi Business and Job Development Corporation (Type A Board)

FINANCIAL IMPACT:

Operating Revenue Capital Not applicable

Fiscal Year: 2017-2018	Project to Date Expenditures (CIP only)	Current Year	Future Years	TOTALS
Line Item Budget				
Encumbered / Expended Amount				
This item				
BALANCE				

RECOMMENDATION:

Staff recommends approval of the revision to the Type A guidelines.

LIST OF SUPPORTING DOCUMENTS:

Resolution
Draft Type A Guidelines