



AUDIT HIGHLIGHTS

Economic Development Programs

August 17, 2021

Audit Report No. 2114

WHY WE DID THIS AUDIT

The Economic Development Programs audit was performed to review performance measures and cost-effectiveness of economic development programs. The audit was included as part of the City Council-approved audit plan for fiscal year (FY) 2020/21.

BACKGROUND

The Economic Development department, within the Planning and Economic Development division, is responsible for working to attract new businesses to the City and retain and expand existing businesses. The department was also responsible for managing \$3.5 million in COVID-relief funds designated by City Council for business assistance programs.

The department is limited in the type of direct assistance it can provide to businesses due to the Arizona Constitution's "gift" clause and the City Charter's "anti-subsidy" clause. Both require a specified public benefit and value received in return.

The department consists of 6 full-time positions, and it spent about \$1.35 million for FY 2020/21. The department updates its strategic plan every five years and identifies goals, target industries and strategies to pursue.

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WHAT WE FOUND

The department spent 22% of its small business assistance pandemic relief funds and can improve its business contact information.

- Out of \$3.5 million, \$625,000 in reimbursement grants was provided to 194 businesses, training classes were attended by 109 businesses and 413 businesses contacted the Small Business Assistance Center, but programs were not continued to assist additional businesses.
- The department does not maintain a complete database of City businesses, hindering its efforts to contact them to offer assistance.

Business attraction and retention activities can be more effectively evaluated.

- The department can follow up timelier with new business leads, strengthen efforts to visit existing businesses, and review the effectiveness of its marketing program.

Performance measures and metrics could be better used to evaluate outcomes.

- Reported performance measures are not supported, and additional performance measures may provide a more complete picture of the department's activities.

WHAT WE RECOMMEND

We recommend the department:

- Develop further business assistance programs making available the additional funds designated by City Council or report to the Council on why further programs are not necessary. Also, maintain a complete business database to allow timely communication.
- Follow up with leads timely, develop criteria and a multi-year schedule for visiting existing businesses, and create a comprehensive marketing and social media program.
- Accurately track and report data for performance measures and evaluate the mix of reported metrics.

MANAGEMENT RESPONSE

The department agreed with the recommendations and plans to implement changes by June 2022.