

Business Plan

Selma's Small Business Support Center (SBSC)



1710 Tucker Street Selma, CA 93662
(559) 896-1064
tamaraj@cityofselma

Prepared by:

Michael Joseph Viola

Edited by:

Tamara Jeanquart

TABLE OF CONTENTS

Executive Summary3
Business Description.....3
Vision Statement.....4
Vision Trigger.....5
Mission Statement.....5
Business Objectives6
Industry Analysis7
Market Analysis9
Analysis of Regional Resource Programs.....11
Business Operations.....12
Marketing.....14
Product14
Price.....15
Place16
Promotion.....16
Legal Structure.....17
Management Expertise.....17
Support Personnel18
Financial Information.....18
Summary24

Exhibits

Exhibit 1 *Comparison of Small Business Incubators & Micro enterprise Programs*.....12
Exhibit 2 *Percentages of 15 Rural Incubators Offering Selected Services*15
Exhibit 3 *2002-2003 Financial Statement*.....22
Exhibit 4 *Third Year Cash Flow Projection*23

EXECUTIVE SUMMARY

The purpose of this business plan is to provide support for future funding of Selma's Small Business Support Center (SBSC). The business plan will also act as a reference for future coordinator(s) of this program. Selma's SBSC is located in Selma City Hall, 1710 Tucker Street, Selma, CA 93662.

Selma's SBSC will provide management training, general business consulting, assistance in business plan creation, networking opportunities and a revolving loan fund to local entrepreneurs and small business owners based in Selma, California. Certain services, such as the monthly seminars, will be offered to individuals from surrounding rural communities. The Selma SBSC also plans to act as a model for future programs throughout additional rural communities. This center will increase jobs and strengthen the community's economy by helping local businesses and entrepreneurs to be more successful and efficient. The cash flow projection, Exhibit 4, One-Year Cash Flow Projection, indicates an annual operating budget of \$29,950 for the first year of operations.

Selma's Small Business Support Center has been in existence since October 2001. Since that time, the program has successfully become established in partnership with Selma City Hall, Selma's Chamber of Commerce, and the Corporation for National Service. Additional funding sources most recently include Union Bank of California, Kings River State Bank, and Fresno County Economic Development Corporation. Collaborations have been formed with many organizations including City of Kingsburg, Selma Enterprise, Central California Small Business Development Center, Central Valley Business Incubator, and many more. The services provided by Selma's SBSC have and will continue to empower and increase the entrepreneurial capacities of the socially and economically diverse people of Selma, California.

BUSINESS DESCRIPTION

Selma's Small Business Support Center (SBSC) will be a business incubator in partnership with the City of Selma and Selma Chamber of Commerce that provides services to local entrepreneurs and businesses. There will be no limit of expansion capabilities—it will expand and will be staffed on an as-needed basis. The coordinator and the Steering Committee will make those determinations. Selma's SBSC is currently a business incubator without walls

located in Selma's City Hall. This center, in partnership with Selma's Chamber of Commerce and City Hall, provides many of the same services as a traditional business incubator. It allows participating businesses to operate in their present locations and receive the benefits of management training, general business consulting, assistance in business plan creation, revolving loan fund and networking opportunities. Selma's SBSC is considering several different locations within the City of Selma for a physical site. The estimated start of construction/renovation of a physical site is Fall 2003.

Selma's SBSC will house a number of businesses that share low overhead. This will involve shared administrative services, use of technology, and rental fees. Tenant businesses will also receive management training, networking opportunities, and support services that facilitate business development and growth. Tenants will pay a monthly fee to receive the benefits of this incubator program that will be affordable. Selma's SBSC will be one of the first incubators of its kind in the Central Valley, targeting, supporting, and strengthening small business ventures in California's rural communities.

A training program has been developed for businesses to take advantage of, which includes monthly seminar on various business topics, regular computer classes (QuickBooks, web development, etc.), a business start-up guide, a resource library and business plan development assistance. This program will offer the support and resources that will assist rural entrepreneurs and existing business owners to better plan and operate a successful small business.

Selma's Small Business Support Center will be successful based on solid research demonstrating that (1) there is a need for small business assistance in the City of Selma, (2) the majority of small business owners in the Selma area lack fundamental business/management training, and (3) entrepreneurs and small business owners are in need of business loans and access to capital as well as alternative forms of lending and investment.

VISION STATEMENT

Selma's Small Business Support Center will have a physical location in Selma with 4-5 small business tenants with expansion capabilities. The center will be a respected program of the

economic development plan in Selma with a successful entrepreneurial training program geared towards assisting rural communities. This center will be known throughout the Central Valley and will be recognized for fostering job creation, encouraging existing businesses to become more efficient and successful, and bridging the gap between the areas's rich and poor. Selma's SBSC can be used as a model for development of other centers in strategic locations throughout Fresno County. Selma's Small Business Support Center will have successfully secured funding sources that will enable the Center to hire a staff person who shares in the vision of renewing the area's economy and improving the community's quality of life. The Steering Committee will continue to assist the coordinator with various duties related to the program.

VISION TRIGGER

The vision trigger will be: "Renewing our community, one business at a time." This slogan will emphasize the positive impact Selma's SBSC will have within the community. The vision trigger will also stress how each business and entrepreneur will be treated: with importance and significance. Finally, the motto will empower participating businesses because the entrepreneur will feel that they are playing a key role in impacting and improving their community.

MISSION STATEMENT

The mission of Selma's Small Business Support Center (SBSC) is to empower and increase the entrepreneurial capacities of the socially and economically diverse people of the City of Selma. The SBSC will create jobs through entrepreneurial growth and development.

As an economic development program, efforts will be focused on assisting small business owners and entrepreneurs with:

- Management assistance and business plan creation
- Networking opportunities
- General business consultation and assistance
- Accessing loans and financing
- City of Selma Revolving Loan Fund and loan application assistance
- Shared Administrative costs
- Direct technical assistance
- Low over-head space for starting small business ventures

BUSINESS OBJECTIVES

Selma's Small Business Support Center (SBSC) will have these business objectives during its first three years of operation:

Year 1:

- 1) Secure \$10,000 from multiple funding sources.
- 2) Conduct a minimum of 3 business plan development programs that will assist entrepreneurs in completing their business plans.
- 3) Have at least 15 "graduates" from our business plan development program complete their business plans and acquire business licenses from the City of Selma.
- 4) Provide a minimum of 10 seminars/workshops that address specific business retention/expansion issues with an average attendance of 10 businesses per seminar.
- 5) Provide tailored business counseling and direct technical assistance sessions to at least 20 existing business owners, at no cost, that help them establish business viability, avert potential closures and layoffs, and attain better positioning for success.

Year 2:

- 1) Secure real estate, furniture, equipment and other needs for the incubator facility.
- 2) Increase by 25% the number of "graduates" who complete or update a business plan through the various business plan development resources.
- 3) Provide a minimum of 10 seminars/workshops that address specific business retention/expansion issues with an average attendance of 15 businesses per session.
- 4) Provide tailored business counseling and direct technical assistance sessions to at least 24 existing business owners, at no cost, that help them establish business viability, avert potential closures and layoffs, and attain better positioning for success.

Year 3:

- 1) Determine future staffing of the SBSC, which may involve volunteers, part-time assistance, or partnerships with various agencies. Possibilities of partnering agencies may be the Selma Chamber of Commerce, Fresno County Economic Opportunities Commission, Reedley College, Central Valley Business Incubator or Fresno County Economic Development Corporation.

- 2) Secure funding that will finance the physical incubator site within the city of Selma, whether it be through granted funds or partnerships.
- 3) Increase number of businesses that take advantage of the City of Selma Revolving Loan Fund. Acquire additional funds to support this “pot of money”.
- 4) Increase by 30% from Year 1 the number of “graduates” who complete a business plan.
- 5) Provide a minimum of 10 seminars/workshops that address specific business retention/expansion issues with an attendance of 20 businesses per session.
- 6) Provide tailored business counseling and direct technical assistance sessions to at least 30 existing business owners, at no cost, that establish business viability, avert potential closures and layoffs, and attain better positioning for success.

INDUSTRY ANALYSIS

Many economic development experts are convinced that the fastest way to increase jobs and strengthen a community’s economy is to encourage local entrepreneurs. According to the Small Business Administration (SBA), “Small businesses are the engine that drives our economy.” Small businesses employ approximately half of our entire work force. They provide more than half of the nation’s private gross domestic product and are the primary creators of new jobs. Nearly 80 percent of the new jobs created in the past six years were by small businesses.

Despite small business being the engine that drives our economy, the SBA reported that, “the failure rate for new small businesses in their first five years is 80 percent.” Although some experts believe that this figure is too high, it is clear that starting a new business is very risky. In an effort to nurture and sustain small business startups, microenterprise assistance programs and business incubators have burst onto the scene since the early 1980s, when communities, colleges, nonprofit organizations, and local governments began to see their immense value. The National Business Incubation Association (NBIA) estimates that 12 incubators were in existence in 1980 compared to over 800 that are functioning today.

The Aspen Institute’s 1996 Directory of US Microenterprise Programs profiled 328 programs in 46 states that assisted in the creation and growth of more than 36,000 businesses in 1995 alone, in large part among low-income people. Microenterprise assistance is an economic development strategy that can also be used as a tool to alleviate poverty. According to Lisa

Servon, author of Bootstrap Capital: Microenterprise and the American Poor, “Access to credit and training are seen as the two components most lacking in US areas with persistently high poverty levels.”

Microenterprise programs that provide these two components have quickly multiplied in response to the need. These programs provide credit as a resource to which poverty stricken people have had difficulty gaining access. Many microenterprise assistance programs also provide training regarding the fundamental changes in our nation’s economy. According to Servon, “While building skills is certainly important, the kind of skills that programs must now teach include how to manage the constraints of the new economy, which means gaining access to information technology and economic literacy. ... Achieving this ... requires something broader than teaching specifics. It is more about empowerment, which means allowing individuals to create the conditions by which to escape poverty.”

The microenterprise strategy moved to the forefront of the U.S. policy agenda in 1997. Policymakers and the media touted the strategy as a way to alleviate poverty and create jobs in the United States. As a result, the United States committed to support microenterprises with greater resources. The United States said it would triple current domestic spending on such programs and allocate as much as \$1 billion over the next five years to U.S. community development projects that include microenterprise loans.

Compared with other economic development programs, microenterprise programs and business incubators appear to be an inexpensive way to create jobs. Even though very little research exists on incubators, one study of Michigan incubators from 1985 to 1995 by University of Michigan business professor Larry Molnar concluded that the average cost per job created in an incubator was about \$1,100. That compares favorably to about \$10,000 per job created via other public support mechanisms. Studies show that for every 50 jobs created by an incubator client, another 25 jobs are generated in the community. The NBIA estimates that North American incubator clients and graduates have created approximately half a million jobs since 1980. That is enough jobs to employ every person living in Denver, Colorado.

In summary, industry analysis is favorable towards the development of a business incubator program in Selma, California. Microenterprise assistance programs are playing a significant role in many communities' economic development. These programs flourish in many settings, including rural communities, where they succeed in launching a wide variety of small businesses that create jobs, diversify the local economy, expand the region's tax base, and alleviate poverty.

MARKET ANALYSIS

Despite the rapid proliferation of incubator programs throughout the nation, California's Central Valley has been relatively unexposed to small business incubation as a tool for economic development. This is quite alarming considering the Central Valley's high unemployment rates and its expected population growth. According to the California Employment Development Department (EDD), the state's unemployment rate for 2002 was 6.7%. Fresno County's unemployment rate stood at 14.4% for 2002, and the City of Selma's unemployment rate during this same period was an astounding 24.9%. Lowering these high unemployment rates in Fresno County will be a difficult task, especially when factoring in the projection of the area's high population growth for the next decade. According to a population forecast prepared by the Central California Futures Institute, Fresno County's population will increase from 821,797 people in the year 2000 to 1,002,153 by the year 2010. These statistics reveal that job creation in our area is necessary and should be a priority.

In Fresno County, especially in the Five Cities Area (Fowler, Parlier, Reedley, Sanger and Selma), the industry of microenterprise assistance and small business incubation is fragmented. The reason is that the field of microenterprise development is highly diverse and decentralized. Different programs serve very different constituencies and emphasize distinct goals. For example, one program may target women on welfare, and another could target immigrants and emphasize language and cultural skills.

According to an analysis conducted by the California Association for Microenterprise Opportunity (CAMEO), 85 microenterprise development organizations exist in the state, 42 of which are private nonprofits. Fourteen percent of these nonprofits focus solely on rural populations. This means that fewer than six microenterprise development organizations in

California focus on assisting small business owners in rural communities. Therefore, the target market for Selma's Small Business Support Center is our rural community's present and future business owners, many of whom have low incomes and are ethnic minorities. According to the 2002 U.S. Census Bureau, 71.8 percent of Selma's population is Hispanic or Latino. According to the 2002 U.S. census, Selma's median household income was \$34,713.

ANALYSIS OF REGIONAL RESOURCE PROGRAMS

The prospective executive director conducted a personal survey to obtain the information presented in the following competitive analysis and in Exhibit 1.

Stockton Incubator/SBDC:

Stockton's Incubator is a joint partnership with Stockton's Small Business Development Center (SBDC). It is located at 445 San Joaquin Street, Stockton, CA 95202. The incubator's executive director is also the director of the area's SBDC. Therefore, clients of the incubator are able to receive a great deal of resources and support. The budget for the incubator for this fiscal year is \$58,296. This amount is lower than last year's budget, which was \$78,000. The money to construct Stockton's Incubator with Walls was procured from a Community Development Block Grant (CDBG). This is a federal grant that is geared towards job creation in low-income communities. Stockton's incubator receives a small amount of capital from rent. Stockton's incubator provides the option for associates to be housed or to be virtual clients. Currently, Stockton has 21 incubator clients. Stockton provides business/management planning as well as access to small business loans.

Lindsay Incubator

Lindsay's Incubator is in partnership with the City of Lindsay and Lindsay's Chamber of Commerce. It is located at 133 West Honolulu St., Lindsay, CA 93247. The incubator's executive director is also the executive director of Lindsay's Chamber of Commerce. The incubator's annual operating budget is estimated to be \$12,000. The idea for the incubator was first conceived in 1993. The incubator's initial target market was retail, but now it has evolved into a mixed-use incubator focused on fostering service-oriented businesses. In 1994, the city received a \$350,000 Community Development Block Grant. This federal grant allowed the city to purchase and renovate an old JC Penny building downtown and convert it into the present day incubator. Lindsay's Incubator currently houses five small businesses, providing low overhead

space as well as general business assistance. A small business is allowed to lease for up to a maximum of three years. Lindsay's Incubator charges 10 cents a square foot for the first year, 20 cents a square foot the second year and 30 cents a square foot the final year. Tenants of the incubator must attend monthly training meetings, participate in business training seminars, and prepare a business plan.

Central California Small Business Development Center (CCSBDC)

The Central California SBDC is located at 3419 W. Shaw Avenue, Fresno, CA 93711. The SBDC is a partnership between the State of California and the U.S. Small Business Administration. The Central California SBDC is partially funded by the U.S. Small Business Administration under Cooperative Agreement Number 7-7770-0005-7 and California's Department of Technology, Trade, and Commerce. The SBDC's annual operating budget is \$500,000, which is used to serve four counties. The SBDC provides business/management planning as well as conducts seminars and workshops. The SBDC targets small businesses that have been in existence for at least 12 months. The center's reputation in Fresno County is fair at best.

The Central Valley Business Incubator (CVBI)

The Central Valley Business Incubator was designed to stimulate economic growth and job creation in our region. CVBI offers business and technical support to entrepreneurs as well as state-of-the-art physical resources that ensure the success of local business startups. CVBI was established in 1996. It is a not-for-profit organization in partnership with California State University, Fresno, and the Fresno Workforce Development Board. The Fresno Area Workforce Investment Corporation funds CVBI. It provides business/management training and general technical assistance for small businesses. CVBI has an excellent reputation throughout the Central Valley. However, CVBI has labeled the loans it has available to small businesses as needing improvement.

Exhibit 1
Comparison of Small Business Incubators and Microenterprise Assistance Programs in California's Central Valley

Areas of Comparison	Selma's Small Business Support Center (SBSC)	Lindsay Incubator	Stockton Incubator	Central Valley Business Incubator	Central California Small Business Development Center
Funding Source	Greater Fresno Area Chamber of Commerce	Federal Grant/Community Development Block Grant	Federal Grant/Community Development Block Grant	Fresno Area Workforce Investment Corporation	US SBA and CA Dept. of Technology, Trade & Commerce
Target Population	Rural Entrepreneurs	Service oriented startups	Entrepreneurs with potential for job creation	Industry clustered	Small businesses that have been established for at least one year
Approximate Annual Operating Budget	\$10,000	\$12,000	\$58,296	\$1,200,000	\$500,000
Clients Consulted Annually	200-300 business consultations	75-100 business consultations	700+ business consultations	700+ business consultations	Estimate of 800 business consultations in four counties.
Reputation	N/A	Fair	Good	Excellent	Fair
Physical space available for entrepreneurs	No	Yes	Yes	Yes	No
Business/Management Planning	Yes	Yes	Yes	Yes	Yes
Small Business Loans	Yes	No	Yes	Yes	No
Individual Development Account (IDA)	Yes	No	No	No	No

OPERATIONS

Selma's Small Business Support Center will reduce the risk for rural entrepreneurs and existing small business owners who are in the startup process. Currently, Selma's Small Business Support Center provides business consultation, assistance, and networking opportunities to its clients and is located in Selma's City Hall. Usually in business incubators, member businesses are located in one facility. Selma's SBSC, acting as an incubator without walls, will allow rural enterprises to continue working at their existing storefront or home-based locations without making the businesses move to the SBSC location.

The executive director of Selma's SBSC receives office space, training space, and a facility for seminars from the City of Selma free of charge. Clients of the center will be able to use a state-of-the-art computer for research as well as other support hardware such as a fax machine, a photocopier, and a scanner to further develop their business ventures. In addition to utilizing our hardware, clients will also be able to access the facilities within City Hall to conduct informational seminars and hold business meetings.

Selma's SBSC will utilize many different resources to provide consultation and assistance to the area's entrepreneurs. For the entrepreneurial training program, the center will compensate local business professors from California State University of Fresno, Central California Small Business Development Center and local community colleges as well as business consultants from around the Central Valley to conduct seminars and lectures. Selma's SBSC will contract out computer training and computer assistance, using local computer trainers. The executive director will be in charge of marketing the program, acquiring grant funds, and facilitating sessions for the training program.

For the small business owners who have already created a workable business plan, Selma's SBSC will assist entrepreneurs in receiving small-business assistance. The center utilizes a group of business owners and community leaders who volunteer to be a part of the Steering Committee, which acts as a mentoring board of directors. This group of volunteers consists of the Executive Director of the Chamber of Commerce, the City Manger, economic development officials, banking officials, local business owners, an attorney, and representatives

from our collaborating agencies. Each Steering Committee member provides their expertise and knowledge for the SBSC and its clients to use enabling them to receive professional consultations at no charge or for a minimal fee.

After developing a successful training program and becoming recognized for its successful services, Selma's SBSC will look into attaining grant money to convert an existing building in Selma's downtown area into a physical site for a small business incubator. Selma's SBSC will look to expand in partnership with the City of Selma and the Selma Chamber of Commerce.

MARKETING

Product

Selma's Small Business Support Center will reduce the risk of failure of entrepreneurs and existing small business owners by providing these services:

1. Business plan development
2. Human resources/personnel development/training
3. Shared administrative/office services
4. Accounting/financial management
5. Advisory boards/mentors
6. Small business loans/Individual Development Accounts (IDAs)
7. Marketing assistance (advertising, promotion, market research)
8. General legal and accounting services
9. Networking activities among entrepreneurs and incubation program clients
10. Linkages to higher education resources (student interns, professors, and faculty)
11. Access to technology
12. Low overhead space (for 4-5 small businesses)

Exhibit 2, taken from Incubating in Rural Areas: Challenges and Keys to Success, shows the services offered by 15 rural incubators.

Exhibit 2
Percentages of 15 Rural Incubators Offering Selected Services

Services	Percentage
Help with business basics (developing business plan, pro formas, etc.)	100
Human resources/personnel development/training	80
Comprehensive business training programs	60
Management team development	66
Shared administrative/office services	86
Specialized equipment/facilities (fume hood, computers, forklift, kitchen); equipment leasing	40
Linkages to angel or venture capital investors	53
Accounting/financial management	86
Shadow boards/mentors	40
Help with accessing commercial bank loans	93
Marketing assistance	86
General legal services	60
Networking activities among incubation program clients	93
International trade assistance	60
Commercializing technology	33
Linkages to higher education resources (e.g. student interns, specialized lab facilities)	86
Internet access	86
Economic literacy training	40
Assistance with e-commerce	53

Price

As a partnership organization, Selma’s Small Business Support Center will charge nominal fees for its business services and consulting. The cost for these services will depend on successful bids for federal, state, and/or local grant money as well as the possible procurement of private funding.

Also dependent on the acquisition of future funding, Selma’ SBSC will look into providing low overhead space to small businesses. Similarly to the Incubator in Lindsay, Selma’s SBSC will allow small businesses to lease space for up to of three years. Selma’s

Incubator will charge for space by the square foot. The amount charged to incubator clients will depend on the acquisition of grant funding.

Place

Currently, Selma's Small Business Support Center is located in Selma's City Hall. The Center functions as an incubator without walls. Usually in business incubators, member businesses are located in one facility. Selma's SBSC, acting as an incubator without walls, will allow rural enterprises to continue working at their existing storefront or home-based locations without making the businesses move into the SBSC location.

The coordinator of Selma's SBSC currently receives office space, a location for training and a facility for seminars from the City of Selma free of charge. After developing a successful training program, Selma's Small Business Support Center, together with the City of Selma and Selma's Chamber of Commerce, will look into attaining grant money to convert an existing building in Selma into a physical site for a small business incubator. This may be done in collaboration with other agencies in order to increase chances of success in acquiring grant funding. This will allow the region to have a model for future incubator programs throughout rural areas.

Promotion

Our organization's promotion strategy will be crucial due to Selma's small size. According to Thomas Lyons, associate professor at the University of Louisville, "There is a lot of parochialism in rural communities. When something new comes into the community, you're generally guilty until proven innocent."

To combat potential resistance and garner support in the community, Selma's Small Business Support Center will be promoted through a variety of marketing methods. Currently, Selma's SBSC publishes a quarterly newsletter. This newsletter promotes our center and disseminates useful information to local entrepreneurs and existing small business owners. According to Todd Smith, marketing director for the Center for Business Incubation in Kansas City, Missouri, "Newsletters are an effective marketing tool for promoting a successful image."

By highlighting successful companies, he says, “The incubator will, by association, be viewed as successful itself.”

In addition to the SBSC newsletter, the coordinator for Selma’s SBSC has a monthly column in the newsletter distributed by the Selma Chamber of Commerce. The SBSC’s working relationship with the city’s chamber of commerce has been a great means for our organization to gain acceptance in the community. The chamber holds many events that promote local businesses. These events are great opportunities for many entrepreneurs to be introduced to our services.

Word-of-mouth marketing is another important marketing tool that can be utilized in smaller communities. Once Selma’s SBSC begins graduating entrepreneurs into the community, people will begin to see our program as a feeder rather than a government subsidized bleeder. Another method Selma’s SBSC has used to create positive word-of-mouth has been a monthly business luncheon seminar. These seminars are effective in reaching potential clients, networking with other business agencies, educating entrepreneurs, and promoting the incubator’s role in economic development. These luncheon seminars provide free lunches to small business owners and local entrepreneurs as well as free advice and consultations from business professionals. At these luncheon seminars, potential clients receive information about the services offered by Selma’s Small Business Support Center.

The support center also intends on promoting its services through a press release list that will allow the SBSC to send information to regional media outlets including television, radio, newspapers and other resource agencies.

LEGAL STRUCTURE

Selma’s Small Business Support Center (SBSC) will be operated as a partnership organization.

MANAGEMENT EXPERTISE

The SBSC is currently utilizing the AmeriCorps VISTA program to fulfill staffing needs. The coordinator will have general business expertise, a passion for sustainable economic development, an undergraduate degree and experience with program development.

The serving coordinator will have a steering committee to provide assistance in further developing the program. This committee will mainly assist with the development of the incubator with walls and the clientele program. The board consists of local bank managers, retired business professionals, valley business professors, entrepreneurs and small business owners.

SUPPORT PERSONNEL

Currently, Selma's Small Business Support Center has an agreement with the federal Americorps Volunteer In Service To America (VISTA) program to provide an interim coordinator for a maximum of three years with an option for the city to pay for an additional two years. The federal government remunerates the work of the interim coordinator; therefore, Selma's SBSC does not have to pay an executive director salary until additional funding is secured. The next coordinator will be a college graduate with business experience and knowledge of program development. At the end of the contract between the City of Selma and the federal VISTA program, Selma's Small Business Support Center will have a qualified executive director on its payroll. It is also being determined whether the Selma Chamber of Commerce would be responsible for certain administrative duties, which would include collecting rent and applications.

FINANCIAL INFORMATION

Financial Objectives

2002-2003 Financial Statement

The items in Exhibit 3, 2002-2003 Financial Statement include information for the fiscal year, July 2002-June 2003. This statement does not include expenditures that have been paid by the Rapid Response Grant.

Third Year Cash Flow Projection

The items in Exhibit 4, Third year Cash Flow Projection, have been arranged in the following way: existing funding, needed subsidy, and uses of cash.

Sources of Cash

1) **Community Reinvestment Act (CRA):** The local banking industry are very interested in providing funds to the SBSC, because it improves the chances of success for local small businesses. The banks donate funds through the Community Reinvestment Act (CRA) and generally provide funding for training. It is expected to be allocated \$5,000 per year from the local banking industry.

2) **Economic Development Corporation *servicing* Fresno County (EDC):** The Selma SBSC received \$500 per year for regional training programs or seminars from the Fresno County EDC. This effort is made to increase the economic development efforts throughout the rural areas of Fresno County

3) **Donation of Rental Space:** The Selma SBSC will receive a donation of rental space for the “incubator with walls” program. This donation will be made by a local building owner and will be for the benefit of a tax write-off for that respective building owner. A multi-year contract will be developed for this project. Fair market value is estimated at \$1,200 per month, which includes utilities.

4) **Needed Subsidy:** Selma’s SBSC will request an undetermined amount from federal, state, local, and private funding sources. The national average for an incubator subsidy is \$111,254 (\$25,000 for capital expenditures and \$86,254 for operational expenditures). Our overall expenditures are much lower because Selma’s Small Business Support Center will begin as a small incubator program. The money requested will be used mainly to subsidize the center’s additional components of the training program and the costs of staffing the program. A definite needed subsidy for staffing of the program is currently estimated to be \$15,000-20,000 for an annual part-time salary.

Uses of Cash

5) **Monthly Speakers:** estimated cost for a keynote speaker to present for an hour and a half is \$250. Since Selma's SBSC will be conducting 10 seminar luncheons, the cost for the year is calculated to be \$2,500.

6) **Mailings:** Selma's Small Business Support Center will send direct mail to approximately 400 small business owners and entrepreneurs 4-6 times a year in an effort to promote our luncheon seminars and overall program. Selma's SBSC has been given permission to use the bulk rate mailing permit of the Selma Chamber of Commerce. The cost per piece of direct mail is 18 cents. Therefore, the yearly estimated cost for direct mail is \$400.

7) **Food and Refreshments:** One hundred and sixty dollars is allocated per month (for 10 months) to pay for food and refreshments for the luncheon seminars. An estimate of 15-20 entrepreneurs will be in attendance at each seminar. As a result, the breakdown for a single entrepreneur attending the luncheon is \$8 for food, drinks, and miscellaneous items.

8) **Business Plan Development Instructor:** It has been decided that the business plan development program will not be held each year, but every other year. The program will not be held this upcoming year, therefore there will be no cost for this. Entrepreneurs and small business owners that would like to develop a business plan will be able to take advantage of various resources including on-line guides, binders and the Business Plan Pro Program that is installed on a granted computer that is to be used solely by the business community.

9) **Computer Instruction:** Selma's SBSC will compensate the computer instruction \$9.50 per person, for every course. The support center will have a beginning, intermediate and advanced web development course; and a beginning, intermediate and advanced QuickBooks course. There will be an average of 15 individuals that take advantage of this instruction. The total annual estimated cost for our computer instruction is \$900, not including required texts.

10) Legal/Accounting Consultant(s): In the future, Selma's SBSC will provide accounting and legal consultation for their clientele. Selma's SBSC will provide two hours of free consultation a month for each client. The SBSC has yet to allocate funds for this service, but are looking into various options including additional grant funding or an in-kind donation for tax benefits.

11) Advertising and Promotion: An undetermined amount of money will be allocated for advertising the opening of the incubator. It is thought that this can be kept very low-cost as there is much support from the community.

12) Conferences/Memberships: There is yet to be monies allocated for this. As the incubator becomes more successful it will be advantageous for staff to become members of and attend the conferences of the National Business Incubator Association (NBIA), Pacific Incubator Network (PIN), California Association for Local Economic Development (CALED), and California Association for Micro Enterprise Organizations (CAMEO).

13-20) Shared Costs with the City of Selma: Selma's Small Business Support Center shares facilities and office space with Selma's City Hall at no charge. The City of Selma has graciously agreed to cover travel, equipment, consumable supplies, office expenses, rent, fixtures, insurance, and other expenses dealing with economic development.

21) Executive Director Salary: The national average for salary for an incubator director is \$50,000-\$100,000 and for clerical support is \$20,000-\$25,000. In the SBSC, the executive director will be the sole staff person and will be part-time. The executive director's salary will be \$15,000-20,000. This may change as the incubator program develops further and executive director responsibilities change.

Exhibit 3

2002-2003 Financial Statement

SBSC Financial Statement	
2002-2003	
<u>Income</u>	
Union Bank of California Grant--Business Plan Consulting	\$2,500.00
Kings River State Bank Grant	2,000.00
Fresno County EDC Grant	500.00
Marketing Seminar Registration	80.00
Business Plan Consulting Registration	160.00
Total Income	\$5,240.00
<u>Expenditures</u>	
4/10 Spring Newsletter	\$77.17
4/23 Frenchy's Deli--Food for Marketing Seminar	18.88
4/23 Save Mart--Refreshments for Marketing Seminar	8.36
4/23 Sal's Mex. Restaurant--Marketing Seminar	37.76
5/20 Binders for Business Plan Consulting	33.45
6/03 Business Plan Consulting for April & May	547.11
6/27 Save Mart--Refreshments for Fin. Mgmt. Seminar	24.01
Total Expenditures	\$746.74
Total Monies Available	\$4,493.26

Exhibit 4

Third Year Cash Flow Projection

Sources of Cash	
Community Reinvestment Act (CRA monies)	5,000

	Economic Development Corporation <i>servicing</i> Fresno County	500
	Donation of Rental Space	14,400
	Needed Subsidy	15,000-
		20,000
	Total Sources	19,900
Uses of Cash		
	Monthly Speakers	2,500
	Direct Mail	400
	Lunch	1,600
	Business Plan Development Instructor	0
	Computer Instruction	900
0	Legal/Accounting Consultant(s)	undetermined
1	Advertising and Promotion	undetermined
2	Conferences/Memberships	0
3	Equipment	0
4	Consumable Supplies	0
5	Office Expenses	0
6	Leases/Rent	0
7	Travel	0
8	Fixtures	0
9	Insurance	0
0	Miscellaneous Expenses	0
1	<i>Executive Director Salary</i>	15,000- 20,000
	Total Uses	25400
	Net Cash Flow for the Year	+\$5,500

SUMMARY

Selma's Small Business Support Center will be successful. This business plan has documented that the establishment of the SBSC is feasible in the community of Selma. All of

the critical factors such as industry trends, marketing analysis, competitive analysis, management expertise, and financial analysis support this conclusion.