



2002 ANNUAL REPORT OF PROGRAM RESULTS

2002 represented a challenging year for small businesses in Navajo and Apache Counties, and this report charts our progress for the Small Business Development Center and for the local small businesses we serve. This report focuses on the activities of the SBDC as well as the specific results and progress noted.

The economic health of the two Counties in our service area continue to be among the poorest in the state of Arizona and in the nation. Our unemployment rates are among the highest in the state, and our annual per capita incomes are the lowest. We have the three largest Native American reservations in the state in our service area, and the population of Native Americans is nearly 50% of the total. The economic progress on the reservations continues to be slow, with extremely high unemployment and an overall lack of business and tax base. All the above serve to underscore the importance of the SBDC's contribution to the local economy. With few success stories in large scale new business development, much of our local success has to come from new small businesses and improved results of existing ones.

The year presented challenges mostly in terms of poor economic health for the State and Country from the first recession in ten years, and from a major disaster in the region from the Rodeo-Chediski wildfire in June, that put the White Mountain regional economy in a downturn, and the entire service area was probably impacted somewhat also. In terms of natural disasters the U.S. Small Business Administration determined the impact would be six months overall in terms of general economic injury, but the other impacts such as tourist visitation statistics and forest health recovery issues would be much longer, extending years.

Our SBDC took a positive role in addressing the disaster, which gave National attention to our local area. With the assistance of our Arizona State SBDC Network, and with other sponsors such as American Express Corporation and Arizona Department of Commerce, we were able to respond within days of the wildfire by setting up an emergency assistance center. Our Center was located in Snowflake, just outside the fire perimeter, and served to provide information to small businesses on FEMA services, U.S. Small Business Administration loan assistance programs, insurance and other relief services available to victims of the fire. Our primary emphasis in assisting was to encourage clients to obtain assistance from the SBA disaster loan programs, and we assisted SBA, who ultimately extended approx. 100 economic injury loans to local small businesses totaling nearly \$5 million. Hopefully, our efforts here will help save many local small businesses who were hurt by a loss of revenues and profits from the disaster.

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2002 was a turning point in terms of our centers productivity and quantity of service. Our resources and funding for the prior eight years had been unchanged, yet in 2002 we received additional funding from the SBA due to 2000 Census redistribution which allowed us to add two new part-time counselors. We found two new, highly qualified individuals, who helped increase our counseling hours from less than 900 hours in 2001 to over 1,400 in 2002. And this represented one-half a years productivity due to timing of funding and finding qualified persons for these positions. James Tuvell was formerly with Arizona Multibank, Arizona Dept of Commerce and various jobs in government finance and management. Lisa Putt spent most of the last twenty years involved in the high technology industry in Tucson, most recently as CEO of Apex Corporation, a manufacturer of specialized electronics devices.

During the year we continued to work diligently to assist the local efforts to improve harvest of small diameter wood and slash that have contributed to the wildfire situation. We cosponsor monthly meetings of local forestry small businesses, and have been designated as the marketing technical assistance provider for Arizona by the Four Corners Sustainable Forests Partnership. Our efforts in helping such businesses have resulted in over \$200 thousand in grants and other in-kind assistance during 2002.

For 2002 our clients were very successful with our assistance, showing our largest ever gain in local jobs and revenues. We are optimistic going into 2003 from the increase in counseling by our new counselors, and with an economic recovery eminent. We continue to be committed to improving and continuing to provide quality services to our local small businesses.

Respectfully submitted,

-Mark Engle, Director

HIGHLIGHTS OF 2002

- COUNSELING ASSISTED LOCAL BUSINESSES WITH CREATION OF 147 NEW JOBS, \$3,106,000 IN NEW LOANS, \$5,610,000 IN INCREASED SALES, AND \$1,635,000 IN NEW BUSINESS INVESTMENT
- TRAINING PROGRAM RESULTED IN 55 SEPARATE EVENTS, WITH 597 ATTENDEES, TOTALING 6,955 HOURS OF TRAINING
- ASSISTED WITH DISASTER ASSISTANCE RESULTING IN U.S. SMALL BUSINESS ADMINISTRATION MAKING OVER \$5 MILLION IN DISASTER ASSISTANCE LOANS

CHAMBER ASSISTANCE

We continue to provide direct assistance to our local Chambers by serving on committees and cosponsoring training. Our Director attends meetings whenever possible. We involved seven local Chambers for a customer service training program during the year. Working with these Chambers and private business sponsors, we cosponsored with HonDah Resort and Casino in offering the "Gathering of Leaders," a two-day conference in leadership development training. The conference this year involved over 300 attendees and over 30 different seminars. Starting the last half of 2002 we began an outreach program, utilizing our Chamber partners in outlying communities we serve. We have an SBDC counselor making regular trips to Springerville, Holbrook, and Winslow, and use Chamber facilities and work with the local Chambers clients.

ECONOMIC DEVELOPMENT AGENCY ASSISTANCE

We work closely with various entities, including White Mountain Regional Development Corporation (WMRDC), and Economic Development for Apache County (EDAC). The Director serves on the Board of Directors for WMRDC, and we have cosponsored training and other programs. We have partnered with EDAC in providing counseling through their St. Johns facility, along with training and other requirements. We have continued to maintain relationships with the Economic Development Agencies for the White Mountain Apache Tribe, the Navajo Nation, and the Hopi Tribe. We assist whenever possible with small business assistance and other loan initiatives. We continue to cosponsor meetings for the Arizona Sustainable Forestry Partnership, part of the Four Corners Forestry Initiative, a project that involves creating economic development from our forestry resources and reduction of slash in urban interface areas to reduce fire danger. This has led to increased counseling and many of our success stories for the year stem from this program.

INNOVATION & TECHNOLOGY TRANSFER

We continue to provide information to local clients on federal and state programs available to assist in this area. We had no inquiries during the year.

INTERNATIONAL TRADE

There was nothing to report for the current period.

MINORITY SMALL BUSINESS DEVELOPMENT

We continue to focus on Native American assistance via counseling and education. We counseled clients for all three reservations during the year, and have continued to report success stories for clients. We offer a two-year degree in Native American Enterprise, and offer classes in business and leadership development in reservation communities we serve.

RESOURCE DEVELOPMENT

Our Director has served as Educational Chair for the Governmental Alliance for Rural Arizona. This group works with local Legislators and representatives on issues affecting rural communities throughout the state.

PROCUREMENT

We serve as a ProNet site for SBA, and have two Internet stations at our office in Show Low. We provide information on State Contracting opportunities and procedures, and will assist clients with 8(a) applications as needed.

SPECIAL FOCUS GROUPS

We have assisted local communities with economic analysis, including Focus Future projects in Snowflake-Taylor and Winslow. We have performed special studies, including a White Mountain retail leakage study and a survey of businesses needed for the region.

ECONOMIC DEVELOPMENT

The Director is certified by Business Retention and Expansion International, and assists local economic development agencies with BR&E programs. In both Show Low and Pinetop-Lakeside we have local "Partnership" programs, where the Cities, Chambers, WMRDC and SBDC assist local existing and new businesses with joint assistance. Also, we assisted the Economic Developer for the City of Winslow, and assisted with their BR&E survey recently completed.

RESEARCH

We assist local clients with direct research, primarily using our NPC libraries and internet sources. When appropriate we order research packages through our SBDC National Research Department in Texas.

TRAVEL

We reported out of state travel for the Director and two counselors to attend the ASBDC Annual Conference during the year. The Director and one counselor do the majority of the outreach within the district, and logged over 13,000 miles during the year.

PROBLEMS

Nothing to report.

FINANCIAL REPORTS

Submitted to Arizona SBDC Network Office under separate cover

WOMAN-OWNED BUSINESS

We counsel a large percentage of Woman-Owned businesses, and helped one receive SBA 8(a) Certification during the year.

STUDENT/FACULTY INVOLVEMENT

We continue to involve Faculty as hourly counselors and in the educational offerings. Our Native American Enterprise program is offered at five NPC locations using NPC regular faculty.

TRAINING

The year 2002 resulted in a good volume of training in terms of participation and hours. Shown below are our training statistics for the year and two years prior for comparison.

<u>Item</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Number of trainings	50	95	48	55
Number of attendees	626	2,007	1,085	597
Total Hours of training	4,542	12,638	7,335	6,955

Examples of topics presented include: Starting Your New Business, Writing a Business Plan, Employment Issues for Small Business, Marketing, Providing Outrageous Service, Motivating Your Employees, QuickBooks, Microsoft Office Applications, and many others.

HOURLY PRODUCTION

Our production is shown below, compared to the last five years. We have seen substantial growth in counseling hours from the new part-time counselors recently hired.

<u>Item</u>	<u>1-time</u>	<u>Hours</u>	<u>Continuous</u>	<u>Hours</u>	<u>Total</u>	<u>Hours</u>
2002	55	70	141	1,398	196	1,468
2001	47	49	83	827	130	877
2000	40	40	111	776	151	816
1999	49	80	102	838	151	914
1998	67	138	79	795	146	934
1997	93	169	71	648	164	817

ECONOMIC IMPACT CLIENT

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Our state Network has been changing our key measurement of productivity from the hourly activity shown above to an Economic Impact Client (EIC) basis. An EIC is where we spend five or more hours with the client during the preceding twelve month period. The number of EIC clients can be more representative of our success and relationship to the actual economic progress we achieve. Our state office performs a survey annually of EIC clients to measure success with clients.

Our historical number of EIC clients is shown below:

Period Ending	6/30/99	6/30/00	6/30/00	6/30/01	6/30/02
EIC Clients	44	44	47	45	55

Our goal for 2002 was 85 EIC's, and we continued to fall short of this goal. Our EIC numbers as of 12/31/02 were 62 (twelve months), and YTD EIC clients number 46 for the first six months year of the current goal year, thus we anticipate being able to meet our goal of 86 for 6/30/03.

ACTUAL ECONOMIC PROGRESS

We have conducted an annual survey for the last four years to assess our clients success and progress as a direct result of our assistance. Our clients results compared to the last four years are shown below:

Item	1998	1999	2000	2001	2002
New Jobs	136	86	57	69	147
Increased sales	\$6,600,000	\$5,562,000	\$1,000,000	\$3,500,000	\$5,610,000
Loans	\$4,500,000	\$1,823,000	\$1,317,000	\$1,510,000	\$3,106,000
Investments	\$3,000,000	\$6,300,000	\$8,596,000	\$1,475,000	\$1,635,000

SUCCESS STORIES

Included in the above are the following notable successes:

- A client we have been assisting since 1996 was able to start a 164-seat restaurant on the Navajo reservation, employing over 100 employees with an FTE of 80. This new restaurant represents the largest franchise-owned store of its kind, and the first months sales indicate they will do over \$3 million in revenues for the first year of operations.
- During the immediate recovery period after the Rodeo-Chediski Fire we assisted a local nursery business in procuring a \$5,000 grant, saving them from having to close their business. Most of their nursery stock died as a result of the fire, and the grant, from an Arizona bank wanting to help fire victims, helped them immediately reorder plant stock to stay in business. Subsequently a disaster loan and insurance payout assured them of continuity, but they credit the SBDC with saving the business.
- We helped a landscape contractor receive her SBA 8(a) Minority Certification, after nearly one year of back and forth in preparing their application. The certification will

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result in nearly \$500,000 in contracts from the forest service in providing thinning to local forestry efforts.