



2001 ANNUAL REPORT OF PROGRAM RESULTS

2001 represented another year of 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 are among the poorest in the state of Arizona and in the nation. Our unemployment rates are 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.

Our resources and funding for the last eight years have been unchanged. We still have only one full-time employee, our Director, and a 30-hour employee whose time is split between support and client assistance. We use hourly counselors for other assistance, but with the effects of inflation we have been challenged in providing continually better service.

For 2001 we continued to help new businesses startup and with the expansion of existing businesses, helping 130 clients during the year. We keep data on new and existing clients that showed economic progress for clients we helped totaling 69 jobs, \$1.5 million in new loans, \$1.475 million in new capital investment, and increased sales of \$3.5 million. During the year the U.S. Forest Service committed grant and project monies to helping develop new businesses, which accounted for a large portion of our success stories.

We are optimistic going into 2002, with a continued emphasis on our efforts with the forest service and the economic environment being even more dependent on small business to bring the economy out of recession. We are committed to improving and continuing to provide quality services to our local small businesses.

Respectfully submitted,

-Mark Engle, Director

HIGHLIGHTS OF 2001

- **COUNSELING ASSISTED LOCAL BUSINESSES WITH CREATION OF 69 NEW JOBS, \$1,510,000 IN NEW LOANS, \$3,500,000 IN INCREASED SALES, AND \$1,475,000 IN NEW BUSINESS INVESTMENT**
- **TRAINING PROGRAM RESULTED IN 48 SEPARATE EVENTS, WITH 1,035 ATTENDEES, TOTALING 7,335 HOURS OF TRAINING**
- **COSPONSORED “SECOND ANNUAL GATHERING OF LEADERS” CONFERENCE WHICH INVOLVED 250 ATTENDEES TRAINED IN 30 DIFFERENT SEMINARS**

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 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 “Second Annual Gathering of Leaders,” a two-day conference in leadership development training. The conference this year involved 250 attendees and over 30 different seminars.

ECONOMIC DEVELOPMENT AGENCY ASSISTANCE

We work closely with various entities, including White Mountain Regional Development Corporation (WMRDC), and Apache County Economic Development (ACES). The Director serves on the Board of Directors for WMRDC, and we have cosponsored training and other programs. We have partnered with ACES 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. New for 2002 we cosponsored and participated in 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.

PREQUALIFICATION PROGRAM

We continue to provide service as an Intermediary with this program, and provided assistance to two clients during the year, which led in funding of \$250,000 in small business loans. Our assistance consists of pre-approval by the Small Business Administration of a clients loan, which is then taken to a Bank for funding. We assist with loan packaging, placement and follow-up with clients in compliance issues.

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.

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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.

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 no out of state travel during the year. The Director does the majority of the outreach within the district, and logged over 10,000 miles during the year.

PROBLEMS

Nothing to report.

FINANCIAL REPORTS

Submitted to Arizona SBDC Network Office under separate cover

WOMAN-OWNED BUSINESS

We held one seminar during the year to promote woman-owned issues. Our Northeast Arizona Small Business Symposium held in June featured a seminar for woman and minority businesses.

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 2001 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.

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

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 for the last five years. We have essentially been able to maintain similar levels of hourly activity from year to year, without any significant increases in resource.

<u>Item</u>	<u>1-time</u>	<u>Hours</u>	<u>Continuous</u>	<u>Hours</u>	<u>Total</u>	<u>Hours</u>
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

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:

<u>Period Ending</u>	<u>6/30/99</u>	<u>6/30/00</u>	<u>6/30/00.</u>
EIC Clients	44	44	47

Our goal for 2001 was 68 EIC's, which represents a 54% increase over the last two years. We continued to fall short of this goal, and yet our hours per continuous client increased greatly during 2001, from approx. 7 hours per client to over 10. This could be representative of our increased focus on EIC's.

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 for the last four years are shown below:

<u>Item</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
New Jobs	136	86	57	69
Increased sales	\$6,600,000	\$5,562,000	\$1,000,000	\$3,500,000
Loans	\$4,500,000	\$1,823,000	\$1,317,000	\$1,510,000
Investments	\$3,000,000	\$6,300,000	\$8,596,000	\$1,475,000

SUCCESS STORIES

Included in the above are the following notable successes:

- We assisted a forestry grant applicant with a project to create a small biomass power plant in Eagar to utilize small diameter wood and help with the reforestation efforts locally. The client received \$415,000 in forest service monies and \$200,000 in bank financing with our business plan assistance. He has begun construction and has employed 10 employees in the startup phase. We recently assisted him with procurement of \$800,000 in investment capital from a statewide utility which will complete the project and get power flowing.

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This is a pilot project that may lead to other such projects statewide to assist with forestry goals for thinning, as well as Dept. of Energy goals for renewable power.

- We assisted a local manufacturing startup over a two-year period that relocated to Pinetop-Lakeside. With our help they were able to procure a \$500,000 SBA loan to support growth in sales and contracts. This business added 15 new jobs for the local area, and has sales forecast in excess of \$1 million annually.
- We assisted a local retailer with a “well business checkup” that resulted in their decision to close a local retail branch office. This ended up keeping the firm from going out of business and saved 5 jobs.