Managing Economic Development Organizations

Next Move Group, LLC

Why Does Economic Development Matter?

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Why Does Economic Development Matter?

The more healthy businesses/growing businesses/increased numbers of businesses a community has, the more government revenues are generated that translate into funding for programs and services for the community.

The more property tax, payroll tax, inventory tax, income tax, etc. created by businesses and the property and payroll taxes paid by their employees fund 100% of schools, fire, police, roads, and all other government functions.

Why Does Economic Development Matter?

A staggering 'uppercut': Shell refinery closure to cost St. James $24M in taxes per year

BY DAVID J. MITCHELL | STAFF WRITER UPDATED NOV 7, 2020 AT 12:52 AM 4 min to read

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Why Does Economic Development Matter?

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Sheriff Willy Martin said the complex generates a total of $24 million per year in property, inventory and sales taxes for local governments: about $5 million in sales tax and $19 million in property and inventory taxes.

Shell kicks in $6.7 million in property and inventory tax to the parish's annual budget and probably close to another $1.5 million in sales tax. Combined, those tax dollars represent about 20% of the parish's annual revenue in 2019.

The School Board alone pulls in $8.7 million in property and inventory tax revenue from Shell, which was nearly 12% of the system's total revenue in 2019 even before the sales taxes.

Managing EDOs: Outcome Based Performance & Management

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Outcome Based Performance & Management: The Multi-Tiered Approach

Potential Tiers:

- Jobs / Payroll Created
- Capital Investment Affected
- Financial Performance of Organization
- Organizational Development
- Stakeholder Partnerships

Outcome Based Performance & Management: The Multi-Tiered Approach

- **Jobs / Payroll Created**
  - Do all jobs count the same?
  - Is payroll a better calculation than jobs?
  - When is a job counted?
  - Difference in calculating new vs. existing industry expansion jobs
  - How to handle retention projects?

Outcome Based Performance & Management: The Multi-Tiered Approach

- **Capital Investment Affected**
  - Does all capital investment count the same?
  - When is capital investment counted?
  - Difference in calculating new vs. existing industry expansion capital investment
  - How to handle retention projects?

Outcome Based Performance & Management: The Multi-Tiered Approach

- **Financial Performance of Organization**
  - Clean Audit
  - Growth in Cash Reserves
  - Growth in Revenue
  - Growth in Non-Dues Revenue
  - Growth in Revenue from External Sources

Outcome Based Performance & Management: The Multi-Tiered Approach

- **Organizational Development**
  - Leadership & Management Development
  - Employee Engagement & Development
  - Continuous Quality Improvement
  - Organizational Culture
  - Strategic Planning
  - Achieving aspects of a strategic plan not tied directly to jobs and capital investment

Outcome Based Performance & Management: The Multi-Tiered Approach

- **Stakeholder Partnerships**
  - Satisfaction Surveys Amongst Board Members
  - Satisfaction Surveys Amongst Partner Agencies
  - Public Relations within the Community

Managing Conflict & Developing a Statement of Ethics

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Managing Conflict

1. Communicate, Communicate, Communicate
2. Don’t let conflict simmer
3. Handle in private meetings, but not secret meetings
4. Communicate, Communicate, Communicate

Statement of Ethics - Conflict of Interest Policy Should Contain:

1. Full Disclosure
Board members and staff members in decision-making roles should make known their connections with groups doing business with the organization. This information should be provided annually.

2. Board Member Abstention from Discussion and Voting
Board members who have an actual or potential conflict of interest should not participate in discussions or vote on matters affecting transactions between the organization and the other group.

3. Staff Member Abstention from Decision Making
Staff members who have an actual or potential conflict should not be substantively involved in decision making affecting such transactions.

Understanding & Evaluating the EDOs Core Competencies

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Core Competency 1- New Business Recruitment

- Responding to RFIs
- Building Relationships with People Who Can Bring You Prospects
- Marketing to Targeted Industries
- Real Estate
- Offering Financial Incentives
- Workforce: Recruit, Screen, Train

Core Competency 2- Business Retention & Expansion Why is a BRE (Business Retention Expansion) Program Important?

80% of job growth comes from existing businesses

&

99% of job losses come from existing businesses or the loss of services business tax revenue pays

business R+E retention + expansion

Why is a BRE (Business Retention Expansion) Program Important?

An estimated **10 – 15 PERCENT** of jobs disappear annually meaning that communities must work hard just to stay even economically.

1 "Getting the Best out of Creative Destruction," by Stefano Scarpetta, The World Bank Group, March 2005

2 **Base employer** (also called primary employer) – a company that exports at least 50 percent of its goods and/or services outside of the region and 'imports' revenue into the region that underpins the economy

8 ⋮ A CASE FOR STRATEGIC ECONOMIC DEVELOPMENT *Fort Collins Area Chamber of Commerce*

What Is The Primary Objective Of A BRE Program?
PROBLEM SOLVING

- The primary objective of a BRE program is to find problems both at the macro and micro level your businesses are facing.
  - Macro level- similar problems multiple businesses are facing
  - Micro level- problems one business in particular is facing

What Are Secondary Objectives Of A BRE Program?

- Find active projects
  - Company is considering hiring new employees this year
  - Company is considering spending a certain amount of capital investment this year

- Data Collection

- Finding existing industry leaders who can sell the community to new prospects

Survey Method & Continuous Relationship Method

- Survey Method (Frequency- once per year)
  - Goals:
    - Track feedback from businesses over time about your community so you can spot macro issues in the economy to address via policy issues and gain business intelligence
    - Identify similar issues multiple businesses are facing in similar clusters

- Continuing Relationship Method (Frequency- varies)
  - Goals:
    - Get to know local plant manager, HR manager, etc. and help them solve a problem.
    - Build relationships with companies at their corporate HQ office

Survey Method & Continuous Relationship Method

- Survey Method (Frequency- once per year)

  - Goals:
    - Track feedback from businesses over time about your community so you can spot macro issues in the economy to address via policy issues
    - Identify similar issues multiple businesses are facing in similar clusters
    - Track in CRM system

  - Sample Survey Questions to Track Trends:
    - How do you rate our community as a place to do business? (Poor, Average, Good, Excellent)
    - Why did you locate here? (Close to home, strong transportation infrastructure, safety, purchased a business, target customers are here, other)
    - What are challenges of conducting business here? (Traffic, crime, parking, regulations, taxes, finding workers, other)
    - Are you satisfied with the following services and infrastructure, yes or no? (Cost of doing business, access to customers, quality of life, proximity to transportation infrastructure, safety, new residential development, access to workers, city permitting, local officials)
    - Which of the following items are you most interested in learning about? (Social media marketing, retirement planning, legal regulations, labor laws, web design, SEO, marketing strategies, businesss planning)
    - What is your 2-year revenue forecast for your business? (Likely to grow revenue, flat, like to downsize or relocate)?
    - Over the next 2-years what is the employee forecast for your business? (Increase employees, decrease employees, no change)

Survey Method & Continuous Relationship Method

- Survey Method (Frequency- once per year)
  - Goals:
    - Track feedback from businesses over time about your community so you can spot macro issues in the economy to address via policy issues
    - Identify similar issues multiple businesses are facing in similar clusters
  - Sample Survey Questions to Track Individual Business Needs:

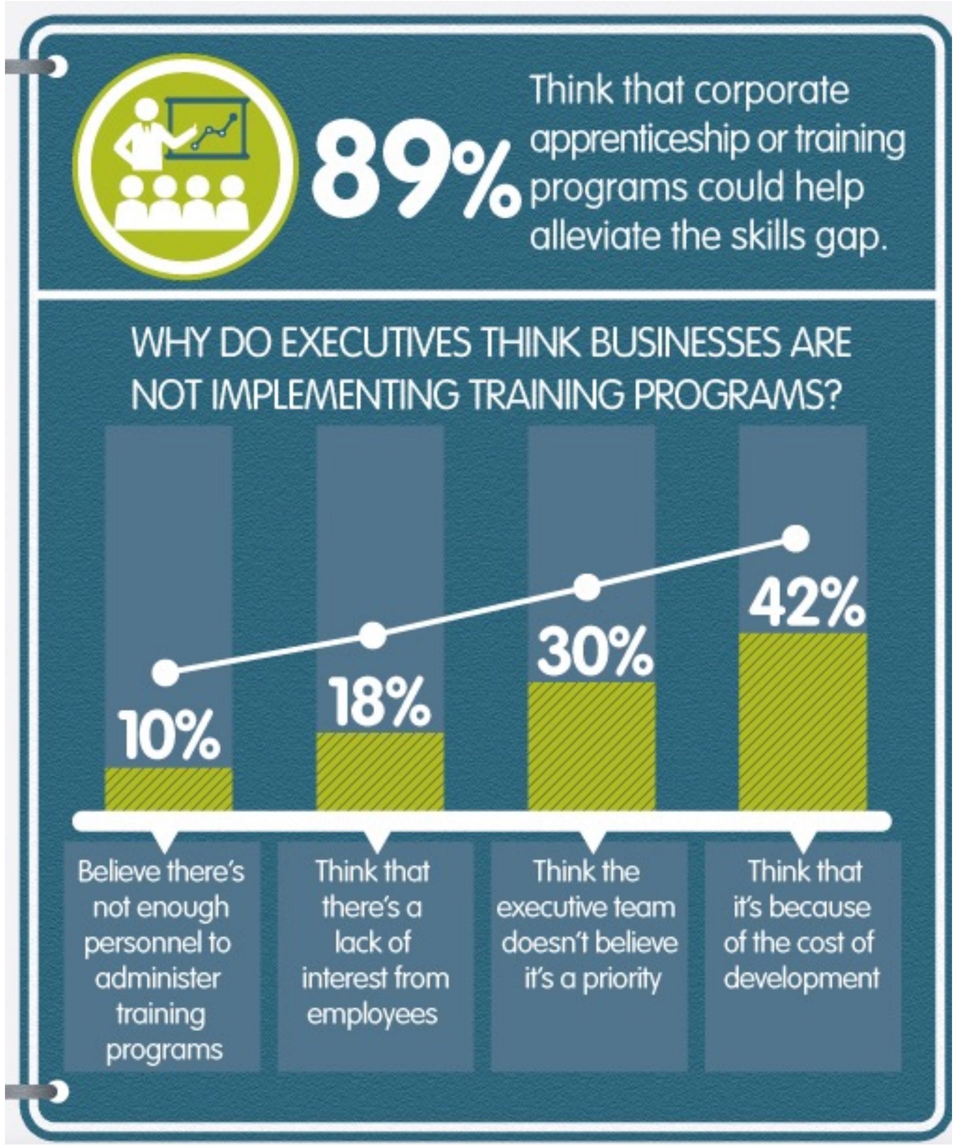
  https://extension.umn.edu/retaining-community-businesses/question-bank

Survey Method & Continuous Relationship Method

- Continuing Relationship Method (Frequency- varies)
  - Goals:
    - Get to know local plant manager, HR manager, etc. and help them solve a problem.
    - Build relationships with companies at their corporate HQ office
  - Priorities:
    1. Build trust and be likable
    2. Look for a problem
    3. Ask if they are looking to hire people this year?
    4. Ask if they are looking to replace any machines this year?
    5. Ask if they have any other CapEx planned for this year?
    6. Find out what other facility locations within their network this facility is measured against
    7. Get a read on your workforce
    8. Start setting the expectation you would like to meet officials from their corporate headquarters

Core Competency 3- Workforce Development

Core Competency 3- Workforce Development



Core Competency 4- Infrastructure Development

- Wastewater is expensive
- Redundant power
- Cell service
- High speed internet
- Roads/Bridges/Culverts

Core Competency 5- Real Estate Development

- Industrial Sites
- Industrial Buildings
- Spec Buildings
- Virtual Spec Buildings
- Incubator Space
- Commercial/Retail Space

Core Competency 6- Governmental Affairs

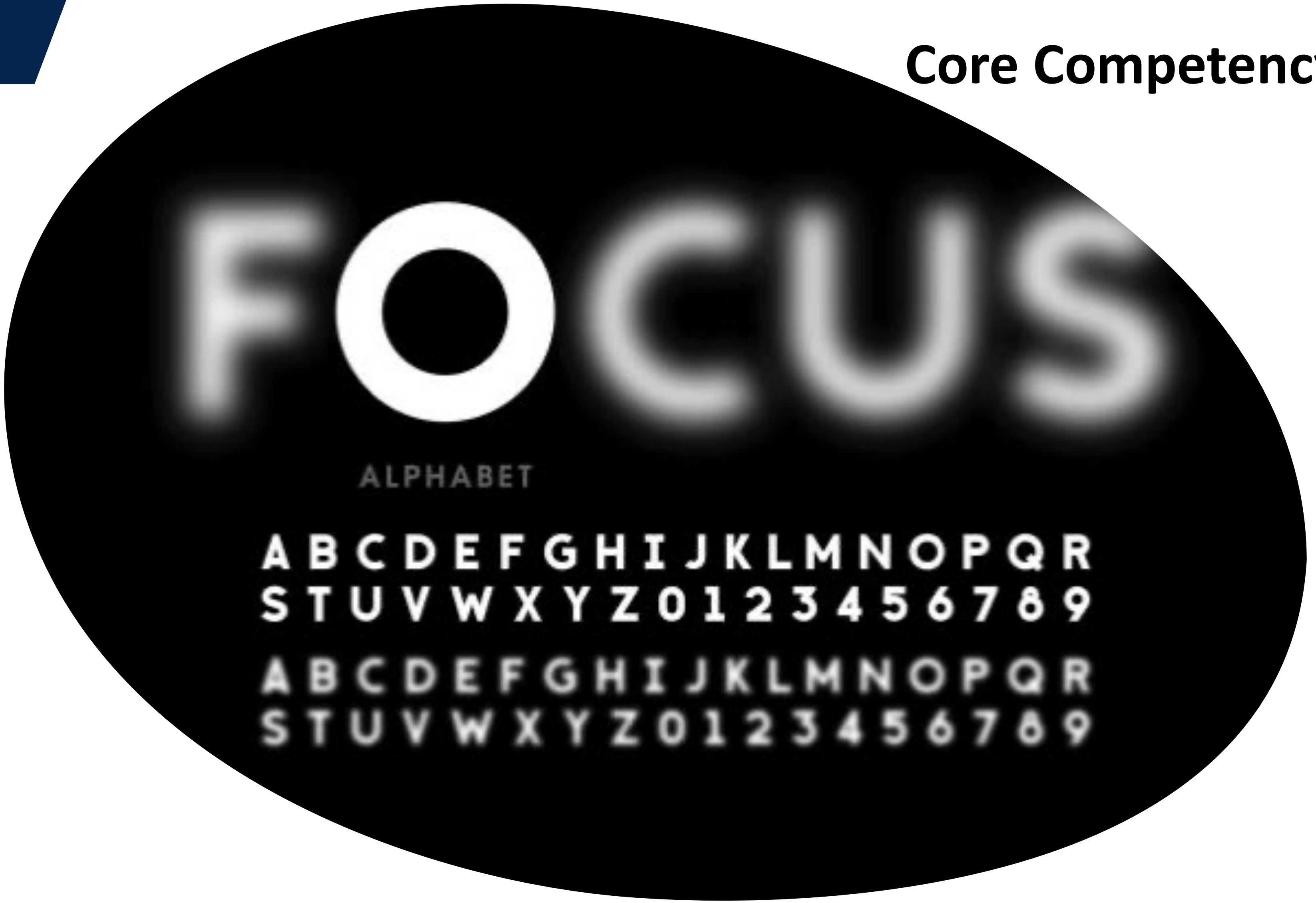
- Funders
- Local Elected Officials
  - Staff
- State Elected Officials
  - Staff
- Federal Elected Officials
  - Staff
  - District Managers

Core Competency 7- Mapping Your Community's Assets

The 7 Types of Assets to Inventory

1. Human
2. Natural/Environmental
3. Built/Infrastructure
4. Cultural
5. Financial
6. Political
7. Social

Core Competency 8- Strategic Planning

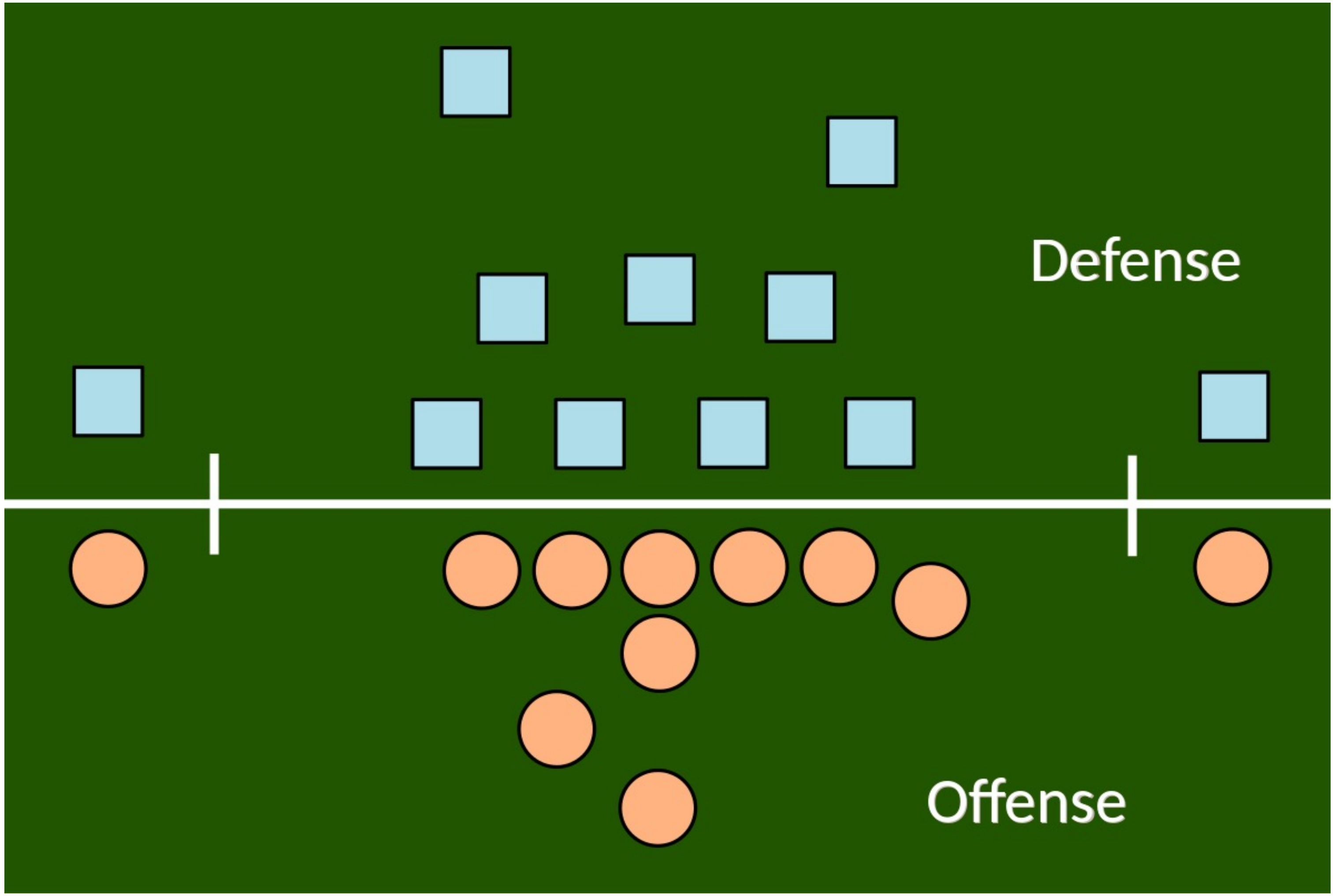


BENEFIT 1:
PROVIDES DIRECTION & CREATES A SENSE OF FOCUS

BENEFIT 2:
PRIORITIZES HOW TO SPEND FINANCES

BENEFIT 3: DETAILS YOUR COMMUNITIES STRENGTHS, WEAKNESSES, OPPORTUNITIES & THREATS

BENEFIT 4: DETERMINES WHAT ITEMS YOUR COMMUNITY NEEDS TO PLAY OFFENSE ON & WHAT ITEMSD YOUR COMMUNITY NEEDS TO DEFEND



BENEFIT 5: MAKES THE ORGANIZATION PROACTIVE RATHER THAN REACTIVE

Self-awareness

Core Competency 8- Strategic Planning

BENEFIT 6:
IMPROVES THE COMMUNITY'S SELF-AWARENESS

Core Competency 8- Strategic Planning

BENEFIT 7: CREATES LONG TERM STRATEGIC GOALS

BENEFIT 8: CREATES SHORT TERM STRATEGIC GOALS

BENEFIT 9: CREATES ACTION ITEMS

BENEFIT 10: CREATES CONTINUITY

Definition of Continuity

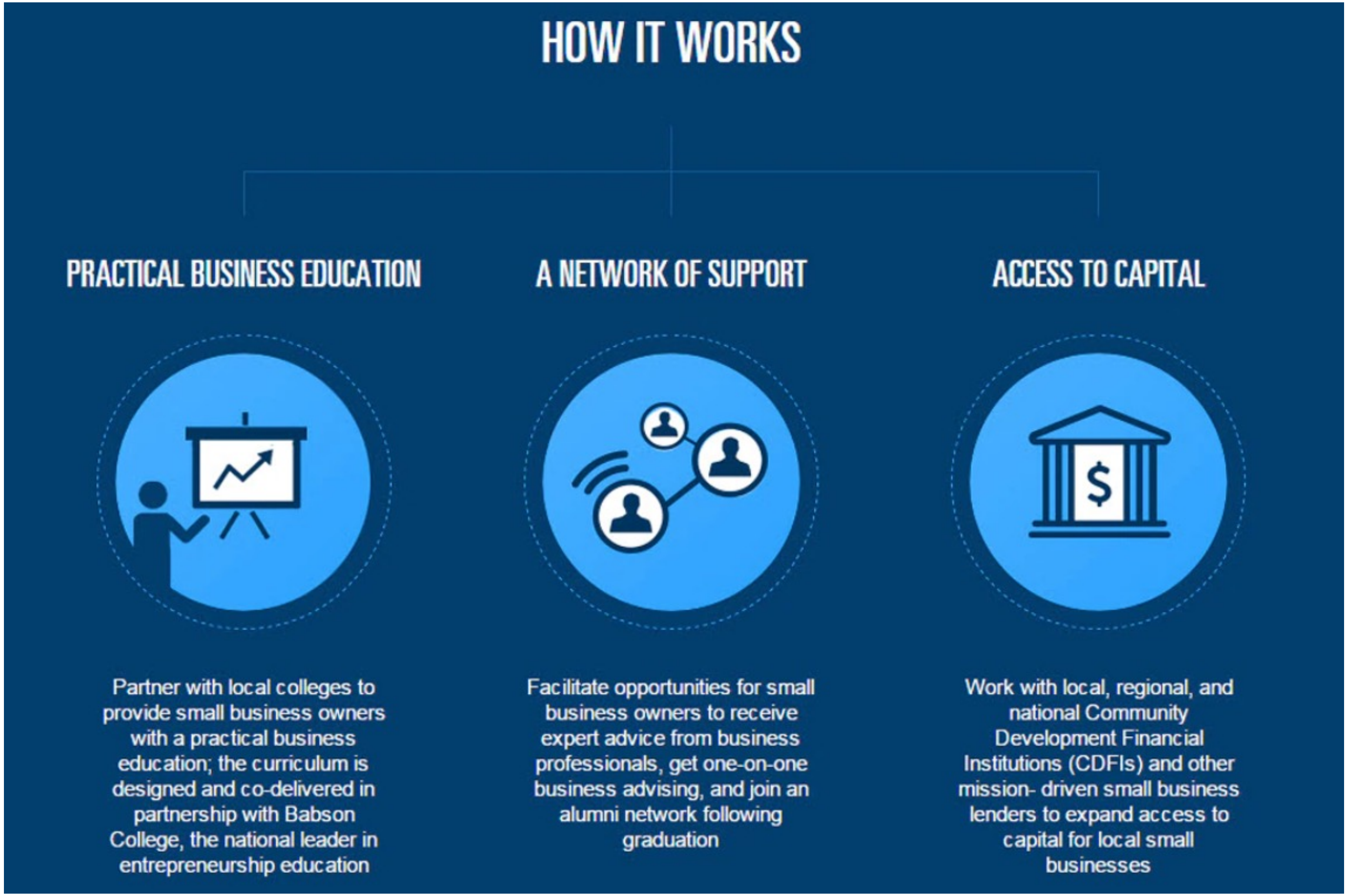
A function f is continuous at $x = a$ when:

1. $f(a)$ is defined
2. $\lim_{x \to a} f(x)$ exist
3. $\lim_{x \to a} f(x) = f(a)$

If any one of the conditions is not met, the function is not continuous at $x = a$.

Core Competency 9- Small Business Development

Goldman Sachs 10,000 small businesses



Working With Stakeholders

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Ensure New Board Members Receive Proper Orientation

Give Each New Board Member A Binder With These Contents:

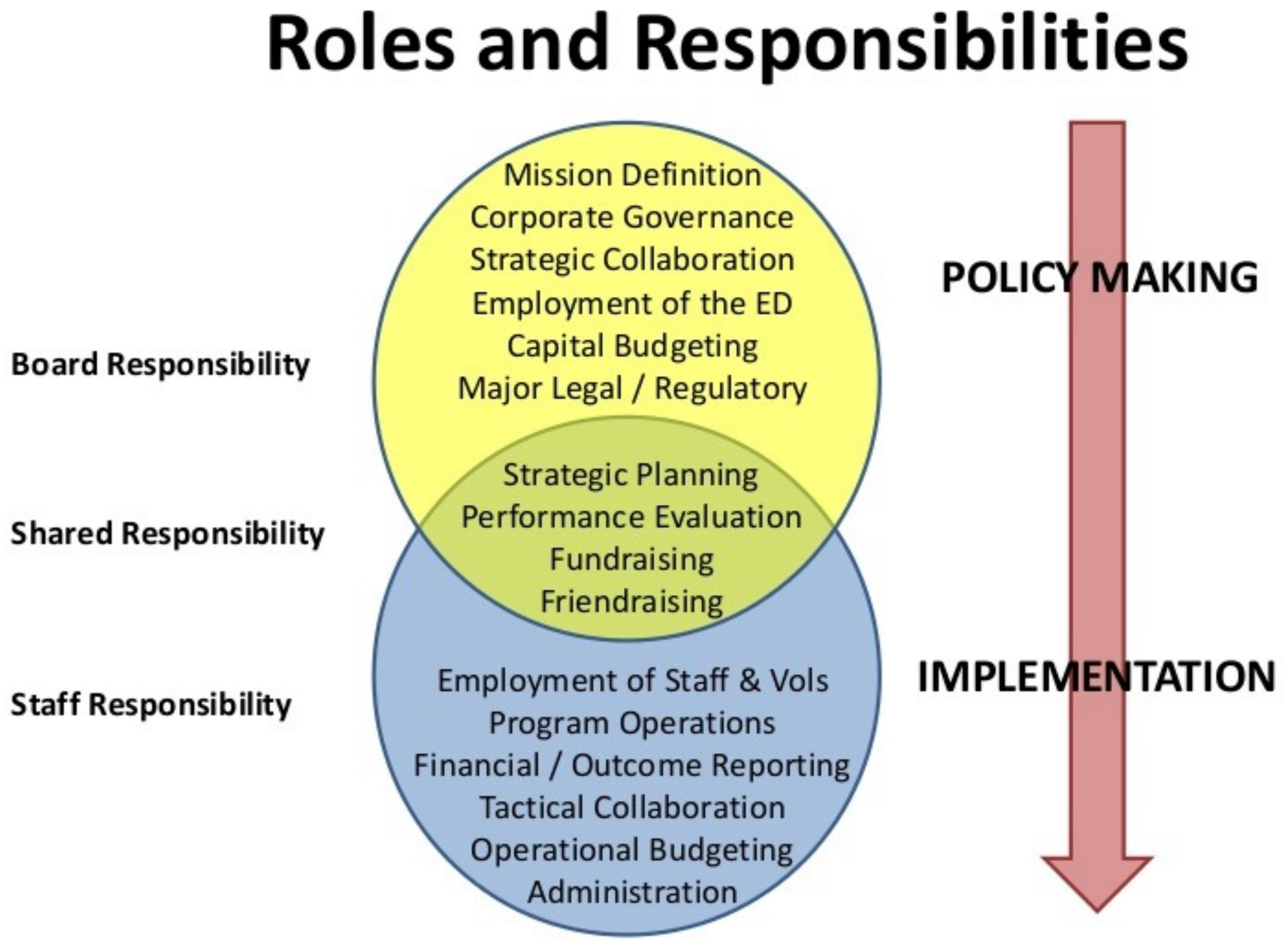
- History of Organization
- Staff Organizational Chart
- List of Current Board Members
- Strategic Plan
- Program Highlights for Last Year
- List of Board Committees and Members of Each Committee
- List of Upcoming Board Meetings & Events
- Approved Budget
- Most Recent Financial Statements
- Most Recent Audit
- By-Laws
- Fundraising Goals
- Last 3 Board Meeting Minutes
- Agenda for First Board Meeting
- Conflict of Interest Policy

Ensure New Board Members Receive Proper Orientation

Host Orientation Event:

Go Through Binder From Previous Slide

Roles & Responsibilities of Board vs. Staff



Tax/Legal Issues

Staff Responsibilities:

- Notify board immediately if there are any delays in payroll, payroll tax payments, tax problems, tax penalties, or legal matters

Board Responsibilities:

- Respond to notification of any tax or legal issues with expedience
- Approve any correspondence dealing with a legal or tax matters

Accounting

Staff Responsibilities:

- Complete monthly statements within 3 weeks of the end of the month (Income Statement, Balance Sheet) with comparison to budgeted expectations
- Prepare end of year tax statements

Board Responsibilities:

- Choose treasurer or form a finance committee with members who understand GAAP
- Ask questions to ensure financial statements are understood
- Periodically review individual expenses

Cash Flow

Staff Responsibilities:

- If cash flow shortages are projected, develop a plan for bridging the shortages
- If cash flow surpluses are projected, develop a plan to maximize them

Board Responsibilities:

- Do not let the organization run out of money
- Ask for funding if promised and has yet to flow into the organization

Salaries & Personnel

Staff Responsibilities:

- Budget for salaries of staffing needs anticipated
- Ensure staff abide by personnel policies

Board Responsibilities:

- Approve salary range of each type employee
- Negotiate executive director’s salary only
- Approve benefits plans for employees
- Approve personnel policies

Audit

Staff Responsibilities:

- Make all financial records easy for auditor to access
- Prepare a written response to audit
- Develop written set of internal controls to address any weaknesses revealed in audit

Board Responsibilities:

- Take the lead in interviewing and selecting auditor
- Meet at least once per year with auditor with no staff present
- Review written internal control procedures

Overall

Staff Responsibilities:

- Communicate well with Board
- Appreciate that tough questions are appropriate

Board Responsibilities:

- Work as problem solvers as well as governors
- Be willing to ask tough questions
- Respect the difficulty of the Executive Director's job
- Make only reasonable requests for ad hoc reports
- Give serious attention to financial reports and needs

What Can Elected Officials Do To Drive Economic Development?

People Talk

- Focus on Being a “Problem Solver” For Your Current Business
  - Example of Fixing Potholes
  - Example of Adding Public Transportation, Internet, Red Lights, Infrastructure, etc.
  - Consider forming a “Business Advisory” Committee where businesses can report issues they have

  - If you do this right, businesses become testimonials for your community.
    - Keep a portfolio of problems you have solved for businesses.

What Can Elected Officials Do To Drive Economic Development?

People Talk

- Focus on Being a “Problem Solver” For Your Current Business
  - Make a list of your top-10 sources of revenue and make sure you make them feel like your customer

What Can Elected Officials Do To Drive Economic Development?

People Talk

- Ensure You Have Sound Infrastructure in Place & Always Look to Grow It
    - Wastewater
    - Water
    - Internet
    - Electric
    - Gas

Compare Your Prices to Communities Nearby to Make Sure Your Tap Fees & Usage Fees Are Not Priced Higher Than Your Competition

What Can Elected Officials Do To Drive Economic Development?

People Talk

- Wastewater/Sewer – 10” line
- Water – 12” line, 500,000 gallons
  - Surface Water (lakes, streams, reservoirs, rivers, creeks, wetlands, etc.) is more preferred than drilled well water
- Electricity – 10 megawatts of capacity
- Internet – Redundancy is a must
- Gas – 4 to 6-inch-high pressure line
- Take every opportunity to get funding to expand capacity in systems, so as you have success recruiting industries you do not put strains on the system for residents
- Think about placing projects at the end of your industrial parks to get grant money to extend capacity throughout the entire park and system
- Spend time once a year planning how to add capacity to all your utility systems and seek grant money to help accomplish this

What Can Elected Officials Do To Drive Economic Development?

People Talk

- Spur Road Infrastructure
  - Story of Minden, Louisiana's, bridge weight restrictions
  - www.perc.org.
    - 10% increase in the length of the highway infrastructure in a city causes a weight increase of 5% of exports
    - Cities with more extensive highway networks have a higher share of people working in high paying industries
    - 10% increase in highway miles causes a 1.5% increase in employment over 20 years
  - Where can you run roads to spur more development, help your industries?
  - Industrial Access Roads
  - If you got bypassed get water, sewer, gas, internet, and electricity to the bypass
  - Have your engineers constantly update your road plan so you can constantly lobby your state and federal delegation for road dollars

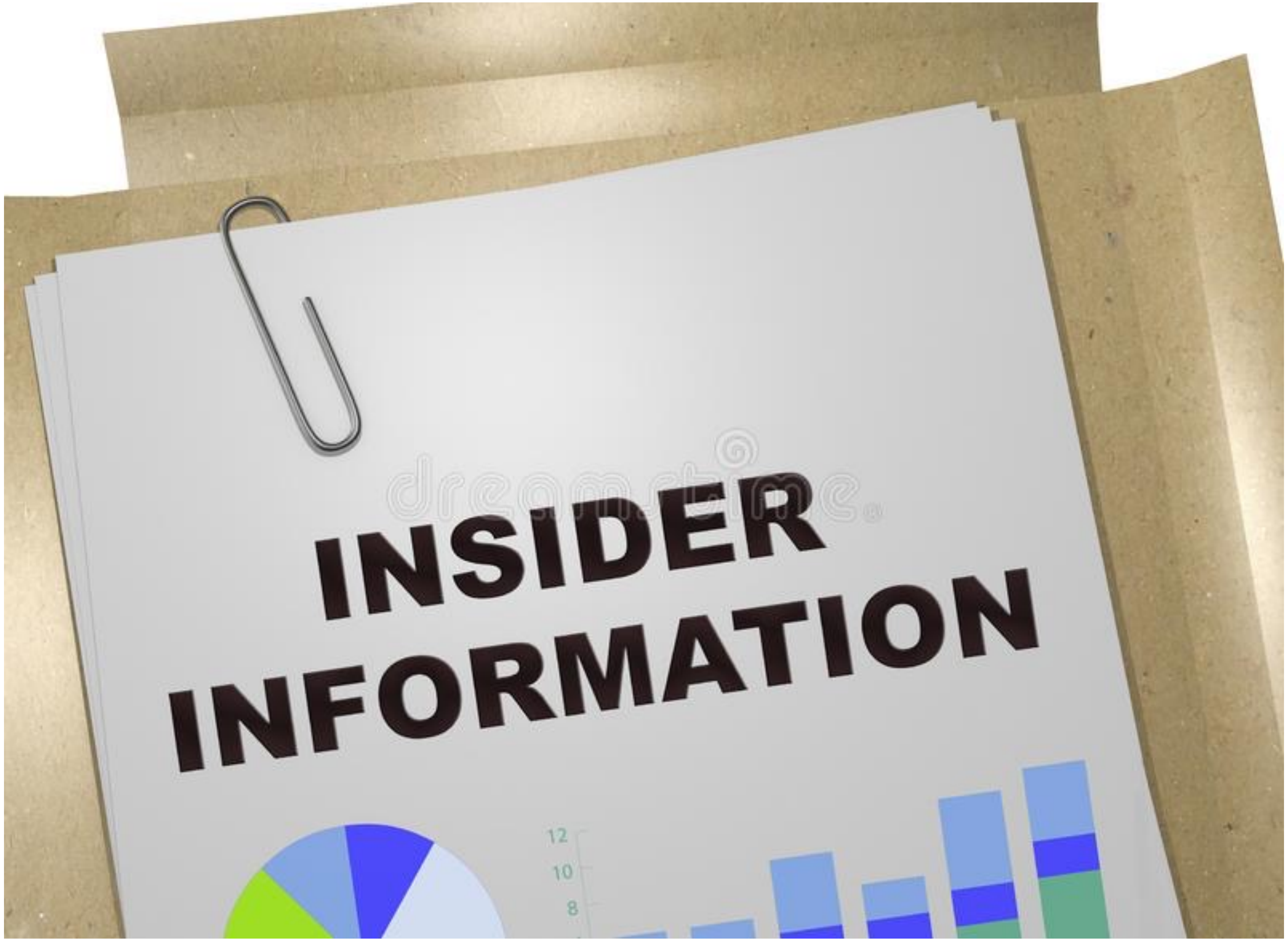
What Can Elected Officials Do To Drive Economic Development?

People Talk

- Understand your tax code and how you get revenue
  - Property tax?
  - Payroll tax?
  - Sales tax?
  - Inventory tax?

Build strategies to recruit companies which will generate the most taxes for your budget and use the other type taxes to incent those companies.

Other Stakeholders



Other Stakeholders

Similarities & Differences Between Managing a Chamber and an EDO

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Similarities & Differences in Managing a Chamber & EDO

Similarities vs. Differences:

- Funding
  - Government, Members, Non-Dues Revenue
- Stakeholders
  - Members, Government
- Strategic Goals
  - Jobs/investment, Growing Members
- Events
- Committees

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https://nextmoveondemand.com

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$87 Buy, $47 Rent

15 min, 12 sec

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Keys to a Winning Economic Development Resume

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52 min

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Apple Podcasts Preview

Next Move Group
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154 episodes

Stay on top of the latest trends and best practices in economic development. Chad Chancellor, CEO of Next Move Group conducts fast-paced interviews with top players in the economic development field.

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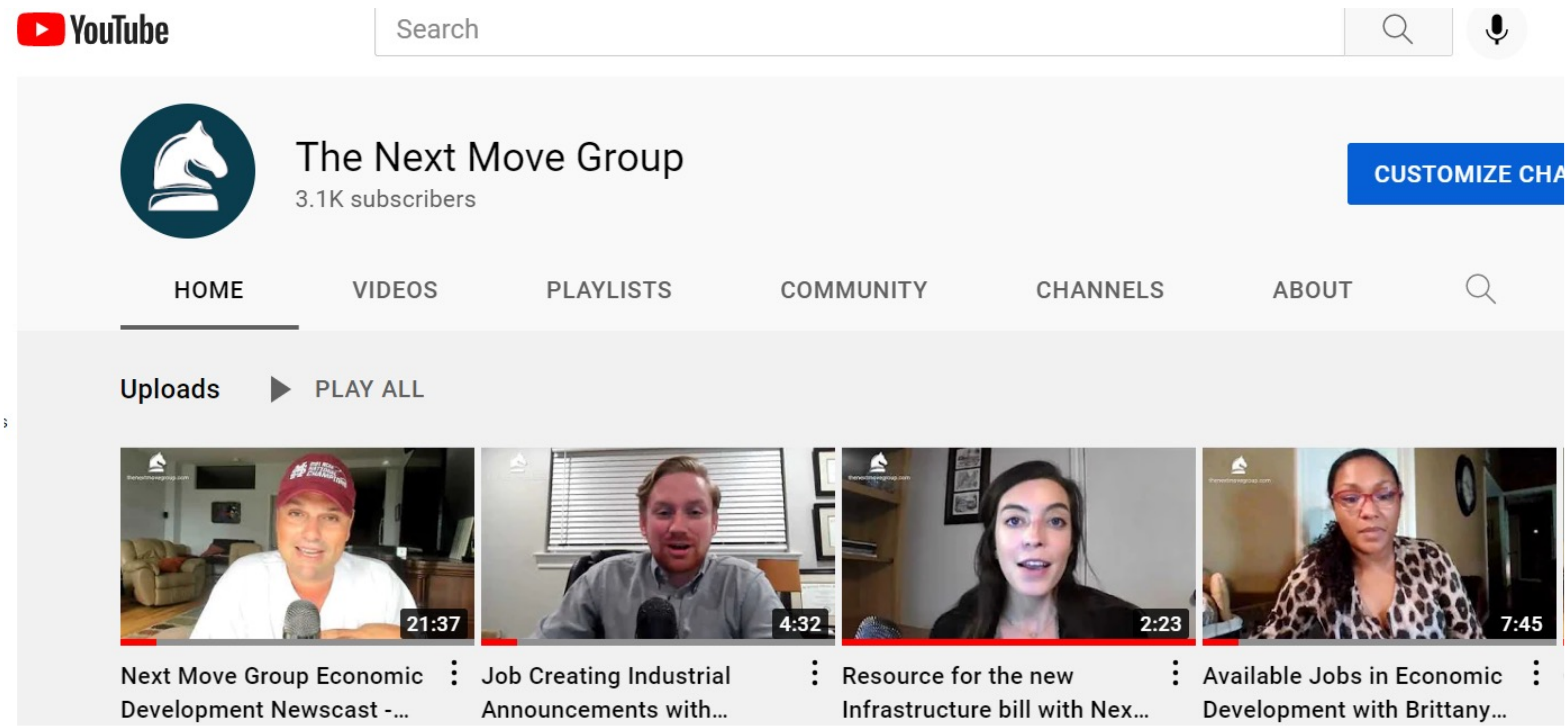

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