

PRESENTATION

The Role of the Finance Director in Economic Development



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PRESENTER: **Joseph M. Murray**, CIPMA Vice President, Springsted



Why Should the Finance Officer be Involved in Economic Development?

- Local community vitality
- Diversify tax base
- Political priority
- Involve large expenditures of discretionary public funds
- Credit rating
- Existing TIDs / outstanding bond obligations
- Fun

Finance Officer Adds Value

- Knowledge of financial process / tools
- Knowledge of community financial condition
- Knowledge of short- / long-term financial impacts
- Conservative perspective - mitigation of risk
- Provide objectivity and full disclosure of risks
- Provide professional discipline

- Contrary to Economic Development Director / Mayor
 - Project driven
 - Less risk adverse

Your Objective is to Participate Positively in the Solution

- **Participate:**
 - Too often: “They bring me the deal when it is about done and I have to point out its shortcomings.”
 - “If I was involved at the outset we wouldn’t be placed in this situation.”
- **Positively:**
 - “As a finance director, I have been culturally and professionally nurtured to say, NO.”
 - “This is crazy!”
 - “I am the gatekeeper to the cash.”
 - “My job is to fix what my colleagues, the city manager and the economic development staff often mess up.”
- **Solution:**
 - “The community is going to do this anyway, whether I think it is a good idea or not, so how do you make it better and reduce your concerns/problems later on?”

How to Get Involved Early On and Throughout

- Know the development process
 - You should be involved at each step
 - Policy development
 - Goal definition
 - Developer recruitment
 - Developer negotiation and agreement
 - Financing and construction
 - Development agreement management
 - Financial performance monitoring

Who Are the Players & Their Roles?

- **Mayor & Governing Body**
 - Plan Commission
 - Community Development Authority
 - Citizen groups
 - Chamber
 - “Save the Downtown”/Anti Big Box
 - “Save the Green Space”
 - Other advisory groups
- **Other Governments**
 - County
 - School districts
 - State – DOR/WisDOT
- **Staff Colleagues**
 - City Manager
 - Economic Development Director
 - Public Works Director/Engineer
 - Assessor
- **Consultants**
 - Financial Advisor
 - Market Analysts
- **Bunch of Lawyers**
 - Yours and theirs, many think they are experts
- **Developer**
 - Wants most of the money

Who Are the Players? *(cont..)*

- What are their roles and motivations?
 - Who do you know the least?
 - 'Save the Downtown'
 - Developer
 - If the community has established a development goal and recruited a developer, then the developer is both your friend and your antagonist
 - The role changes as the process unfolds
- If your goal is to participate early on, what is your relationship with these players?

Finance Officer's Role in Policy Development

- Familiar with fund balance & debt policies
- Economic development often times relates to:
 - Financial incentives
 - Re- or Shared allocation of risk
 - Long-term impacts
 - Impact community's financial condition

Economic Development Policy

- Goals & objectives
 - Target economic development:
 - Where?
 - When?
 - What type?
 - Why?
 - How can you measure success?

Economic Development Policy *(cont..)*

- Financial incentive tools and incentives:
 - What type?
 - When to use/offer?
 - When NOT to use/offer?
 - How much?

Economic Development Policy *(cont.)*

- Evaluation process
 - Submittal requirements and timelines
 - Developer Deposit
 - Evaluation activities and responsibilities
 - Evaluation criteria
 - Compliance with goals and objectives
 - Cost/benefit analysis
 - Financial (tax base) and non-financial (job creation)
 - Tax base impacts
 - Impact to existing businesses
 - But-For determination
 - Risk

Economic Development Policy *(cont.)*

- Performance standards
 - Initiation dates
 - Completion deadlines/phasing
 - Expenditure tracking (\$)
 - Taxable value
 - Jobs created and wages
 - Occupancy rates
- Clawback or Linkage agreement provision “triggers”

Economic Development Policy *(cont.)*

- Monitoring and compliance
 - Regular and timely monitoring
 - Assign monitoring roles
 - Document
 - Communicate

Evaluating the Deal

- Developer review:
 - Personal financial statements
 - References – other communities
- Project review:
 - Project Performance
 - Sources & uses
 - Market study
- Compliance with Open Meeting and Freedom of Information Act

Developer Negotiations

- Developer seeking to transfer risk:
 - Revenue risk
 - Public revenue streams
 - Development timing risk
 - Debt risk
 - Debt vs. PAYGO
 - GO vs. revenue
 - Fixed vs. variable
- Developer negotiations - Be at the table any time money, security and timing are mentioned

Long-term Monitoring and Compliance

- Established in development agreement
- Assign monitoring roles and responsibilities
- Milestones:
 - Project initiation
 - Phasing
 - Completion – Clawbacks & linkage agreements
- Establish information request and review systems - annual review before budget cycle

Monitoring and Compliance *(cont.)*

- Operating budget impacts
- Potential statutory/legislative changes
- TID monitoring
- DOR TID reporting

- Document
- Communicate

Financing Options

- GO v. Lease Revenue – Term limitations, levy limits, lower rating = higher rate, moral commitment but longer term
- Debt limited to life of TID
- BANS/NANS – don't count against term, increment build up, 2 COI, confirm increment – NANS can be taken out with Bonds to avoid referendum
- STFLs – New revenue bonds
- Permissive Referendum – Cities v. Villages (Look @ Kimberly)
- County Revenue Sharing Agreement – La X & West Salem
- Structure Around TID increment stream
- Private Activity Bond rules
- Taxable v. Tax-exempt

- Describe different types of TIDs, life?

GFOA Best Practices

- Role of Finance Director in Economic Development - <http://www.gfoa.org/role-finance-officer-economic-development>
- Evaluating & Managing Economic Development Incentives - <http://www.gfoa.org/evaluating-and-managing-economic-development-incentives>
- Creation, Implementation, & Evaluation of Tax Increment Financing - <http://www.gfoa.org/creation-implementation-and-evaluation-tax-increment-financing>
- Evaluating Data & Financial Assumptions in Development Proposals - <http://www.gfoa.org/evaluating-data-and-financial-assumptions-development-proposals>
- Performance Criteria as a Part of Development Agreements - <http://www.gfoa.org/performance-criteria-part-development-agreements>
- Assessing Risk & Uncertainty in Economic Development Projects - <http://www.gfoa.org/assessing-risk-and-uncertainty-economic-development-projects>
- Monitoring Economic Development Performance - <http://www.gfoa.org/monitoring-economic-development-performance>
- Developing an Economic Development Incentive Policy - <http://www.gfoa.org/developing-economic-development-incentive-policy>

Questions

Joseph Murray, CIPMA, Vice President

414-220-4257

jmurray@springsted.com

Springsted's Mission Statement

Springsted provides high quality, independent financial and management advisory services to public and non-profit organizations, and works with them in the long-term process of building their communities on a fiscally sound and well-managed basis.