GOVERNMENT LEADERS
AROUND THE TABLE

Alex Beres
Senior Program Coordinator
Franklin County Economic Development and Planning Department

Glenda Bumgarner
Deputy Director
Office of Jobs and Commerce
Ohio Department of Transportation

David Collingsworth
City Manager
City of Westerville

Matt Greeson
City Manager
City of Worthington

Tom Homan
City Manager
City of Delaware

Anthony Jones
Director of Planning and Development
City of Gahanna

Christopher Magill
Economic Development Director
Ice Miller, LLP

Jerry Newton
Executive Director
Licking County Development

Kerry Roe
Shareholder
Clark Schaefer Hackett

Ed Walsh
Shareholder
Clark Schaefer Hackett

David McCorkie
Deputy Chief, Strategic Initiatives
Ohio Development Services Agency

Larry Weeks
Shareholder
Clark Schaefer Hackett

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Welcome to our *lite* paper, an observation on the state of the industry, offered by People to Know in Government.

At Clark Schaefer Hackett, we’re proud to be industry specialists. We dig deeply into the industries we serve and share the resulting insight for the good of our clients and communities.

When we gathered the select few recently named “People to Know in Government,” we were privy to profound thought, unique perspectives, and intelligent understanding.

These public sector leaders, recognized as the most influential in Central Ohio, illuminated the universal trends, challenges and opportunities seen nationally across the sector today.

The issues impacting government today, also reflect our society, business and culture.

Exactly how these issues will shape our future is the question that remains.
Public-sector economic development officials often straddle lines as they work to **grow and maintain their communities’** economy in a way that **benefits the entire community**.

Their work puts them in constant contact with businesses looking to relocate, those **seeking tax incentives**, or small businesses just looking for a little **help from their local government**.

This industry is undergoing a shift brought about by tighter budgets and changes in how people work and live. It used to be that local communities might actively lure companies from neighboring regions, using financial incentives. But today’s **community economic development professionals share** more information now than they ever have.

This increased collaboration is helping apply a greater focus to the practice of economic development. In other words, localities aren’t courting every company that expresses an interest in locating in their cities. Officials are more **deliberate in analyzing potential deals** using public financial incentives, and holding recipients of those incentives accountable for **keeping their promises to the community**.
Measuring **ROI**

A **regional** approach

Addressing **the skills gap**

**An entrepreneurial** climate
There are some metrics we do try to follow to see if things are really a worthwhile use of public resources. **We have a variety of incentives that we operate with,** other than your traditional Community Reinvestment Area property tax abatement. We employ an income tax sharing that is based on job creation, meaning: for so many jobs that are created, the city will share a certain percentage of the income tax that is measured using a baseline of salaries and wages generated and what that growth might be. We also have some other programs through our Community Improvement Corporation that offers forgivable loans for moving into the community. Those incentives could be smaller numbers like $20,000, $30,000 or $40,000 to help with relocation costs. We do measure that in terms of what is the private investment dollar for the public investment offered. Historically, for every dollar Westerville invests, the city sees a $6 to $7 return on that investment in terms of private investment.

Measuring the ROI is up to the economic practitioner and how much the individual is willing to analyze. **With every project, there is direct tax revenue that’s going to be generated,** and that’s where it should remain on the public sector side, in my opinion. There are those who will look at spinoff revenue or indirect revenue, for instance, that they might want to figure in when presenting their forecast to city council. The question becomes: How far into the future do you want to project out. Is it realistic to say one manufacturing job creates 1.5 million manufacturing jobs? **How are you going to forecast the revenue of that?** I would focus on the direct revenue. It is up to the policymaker to decide the amount of direct revenue or induced revenue in determining how much is going to be discounted.
There are expenses attached to providing tax incentives, so we forecast out over the expected return period what those expenses are and then we anticipate the best we can the income generated both in property taxes that can go into a TIF district or income taxes. Some of the factors that go into our ROI analysis, which council requires with every project, include taking into consideration the **area of the community where the incentive is granted**. For instance, some areas of our community are in need of more aggressive action because companies have fled, or attracting development is difficult. Every analysis is designed to protect the community’s investment and ensure we see that ROI.

Everyone analyzes for ROI, but are incentives necessary given the competition in the marketplace? Is there a gap? Are they necessary because of market imperfections? The councils we represent expect us to do an ROI analysis, but we are having conversations and getting more into whether the deal meets the qualifications to be eligible for an incentive. So more than determining if a company meets eligibility standards to receive an incentive, we are evaluating if it is really necessary. Is there a gap? Is it necessary because of competition? Is it necessary because of market imperfections? We try to target our dollars toward closing a real or perceived gap, which is sometimes tough to figure out.

ROI today deals with how quickly you can make the decisions to stay in the game using your metrics. That sentiment is a reference to the global scope of competition. Part of the issue with the ROI is that **decisions are being made lightning fast** because we aren’t competing just against a bunch of individual cities, villages, counties or even a region. We are competing against the world. I’ve worked in the public and private sector, and three years ago, I gravitated back onto the public side. When I ran a company that worked on site selection, people would talk to me about relocating to their community. If the information they were providing wasn’t hitting all the boxes, the stuff that I wanted, I ended the conversation quickly. If I had that company today, those communities would be much more scrupulous in analyzing whether the companies I represented were worth their time or their dollars. That’s a factor that’s different in the last 10 years.
In Central Ohio, cooperation between communities has been greatly enhanced because of Columbus 2020. Over the past two decades, there have been issues pitting one community versus another community, poaching and those types of things as it relates to economic development. Columbus 2020 addressed that in a really effective way by acting as a resource for all of our entities. Before it was created, I can remember attending countless meetings trying to figure out non-compete clauses. Regional cooperation is imperfect, but it is much better today than when I first arrived in the area, and I think a lot of it has to do with a better working environment. Everyone is more sophisticated in knowing what types of businesses they want, and Columbus 2020 has helped everyone sharpen their focus.

It’s understanding and articulating the diversity of this region that makes Columbus 2020 a best-in-class organization compared with similar organizations in larger metro areas such as Atlanta or St. Louis. The way they aggressively work the international market, articulate their data, their knowledge of the region and their depth of the knowledge is unique. We assisted them in writing their economic development strategy, and their knowledge of a Morrow County vs. a Franklin County is really what sets them apart because they really understand the diversity of the region.

There has been a significant shift in central Ohio and communities are working better together. Today, the region is sharing information about leads; who is in the pipeline, where is the sense of that lead. That sharing is broader than what I have observed in past years, and even in other areas of the state.
It is having that little heads up from your neighbor that illustrates how true collaboration works. I think by and large everybody follows those protocols, which fosters more collaboration and dampens the element of community shock when, for instance, a company in your community announces it wants to move to a neighboring community or needs more space to grow. The Mid-Ohio Development Exchange deserves credit for helping to facilitate the development of the protocols for each community.

Columbus 2020 has helped our profession to become more professional in regard to how we handle various complexities of the industry. There are a lot of nuances to it and MODE educates and makes us all more effective at our jobs. We are able to know who our competitors are and have a relationship with them, so when things get challenging, communication does not break down. That is not the case in the suburbs and major cities in other parts of the state. They are night and day, oil and water. **We are much more integrated here.**
It’s critical that as a state we begin addressing workforce development needs earlier than before. One initiative specifically that the state is about to roll out is a career exploration internship program that targets high school juniors and seniors. Those students would intern at a company for a minimum of 20 hours a week for 20 weeks in a field of their choosing. The student and parents must sign off on the program. This is just one of several workforce development tools that are helping direct more attention to the skills gap question.

Circumstances should spur new ways in how we can address workforce challenges. There are opportunities in Ohio to become more integrated at the high school level and where students can hear from the employers and learn from community leaders. This augmented approach offers a real-world perspective on the employment opportunities readily available.

Workforce development and the demographic change and shift are significant problems. There is also an issue with place – where people want to live. Skill sets and place making are becoming more important. Communities need to create a place where people want to locate. For example, I have four children and two grandkids. One of my children wanted to find a place to live first and then go about finding work; and that story is heard repeatedly from those in their 20s. One of my recent employees in her 30s loved the work here, but loves another place better, so she left and took a job at the place where she wanted to raise her family.
There tends to be a lot of overlap among the varied entities that deal with workforce development, be it local community colleges or career centers. This is an ongoing conversation among educators, superintendents and administrators about how to address it. We hear from many manufacturers because 70 percent of manufacturers based in Delaware County are in the city of Delaware thanks to an industrial park that was established in the late 1960s. They say that we need to let those individuals who may not want to go to college know that they can carve out a career in manufacturing. It is a far more sophisticated environment today working on a CNC machine or in a plastics factory than it was decades ago. This is something we could probably do a better job at.

The college degree is more diluted, so to speak, because there are so many opportunities to go to school. So people can go to school easier and are getting pushed in college prep classes. That was the sentiment when we put together an economic development plan for Union County and met with the superintendents of schools and had this discussion. What’s not emphasized nearly enough – what hasn’t penetrated the discussion enough – is what some manufacturers are doing themselves to address the skills gap. Some of the employers we talked with are recruiting folks and telling them that after two years with the company they will help pay for college and technical certifications – think electrical and technical skills for manufacturers – that might be needed for the job.
What’s the role of the city? It’s doubtful any city is able to have any money committed to programs for workforce development. The way it’s been structured, it has been either a regional or state function. On the economic development side, we end up playing a facilitation role and connecting businesses to resources. What cities can do is create a foundation from which the community can build a desirable place to live. So in Worthington, the city has conversations with the schools and libraries about how to accomplish this. Can we create Maker Movement spaces within the libraries? What are we doing with schools’ 3D printers when they aren’t in use by the students after hours and during the summer? We are trying to have a roundtable conversation about where do we take that. How does that fit with what we are doing at our art center? Does that have a direct pathway to a job at Honda? Is it the cultural precursor to someone getting interested in engineering or something else? I think it creates *more livable space where creative people want to be*, and I think that is where cities should spend some time and resources.
Partnerships with Tech Columbus and similar organizations are where a lot of future job growth is going to happen at the small business level and with small startups that are able to grow and develop. In Westerville, we look at it from the standpoint of how to help the small, possibly already established 10-person office become 20, 30, or 50 employees down the road. That is a big part of what we are trying to look at in creating a culture of entrepreneurship. We looked at starting a business incubator a few years ago and had some deep conversations and evaluations about it and other concepts. What are their workforce issues? Do they need access to capital to grow? That’s where the partnerships are invaluable.

I think we are all trying to figure out what our niche is in the entrepreneurial, maker-space, incubator and co-working center conversation that is best going to serve our community in those areas. Worthington Industries is the perfect example of a true entrepreneur because you can go to its headquarters and see the car of founder, the late John H. McConnell, that he hocked to get the capital to buy his first load of steel.

If you look at any region, their biggest successes and biggest employers are the ones who started there and whose roots are planted deeply. In Columbus right now, Jeni’s Splendid Ice Creams is a great example of that entrepreneurial spirit. Ten years ago, there was an entrepreneurial environment in the North Market including her single ice cream shop. Today, Jeni’s ice cream can be found in nearly 100 locations, and the company just hired a friend of mine as a nutritionist. That job did not exist a year ago; it was created. That’s the type of development that’s always exciting and inspiring. It’s a cultural thing, but we must show our appreciation to the innovators like her with hopes they are receptive to the outreach and more likely to stay here.
Harvesting knowledge into a company should be the public sector’s role versus bringing in a new asset or sharing an asset; that is essentially what entrepreneurship is. We talk to local governments about getting the private sector involved because the two things entrepreneurs and startups want is access to capital and certainty. So pull resources and experts from the large- and small-business community and have the public sector’s economic development professionals facilitate everything, such as finding public and/or private capital.

During visits with area businesses, the resounding thing that we heard and continue to hear is for government to let the businesses do what they do and don’t put in so many barriers that they can’t grow. However, when there are issues, help us out. There are still city ordinances that prohibit home occupation, which is simply ludicrous in today’s environment. So here’s a guy who is trying to make his idea work but is wondering if he’s going to get in trouble if he uses more than 25 percent of his primary residence for the business, and he can’t store anything in his garage. It’s the little things in regulations that drive people nuts and make them leery. Usually they are simple things that can be easily changed, but that idea of talking to the established businesses, not just the ones that are coming in, is essential so you don’t have a back door wider than the front door.

Ensuring predictability is what businesses want. They want to know how long it’s going to take to put an addition on their building, and they want to know the planning approval process. They don’t want to learn two months into the process; they want to know from the outset what the deputy engineer has an issue with. The earlier the business knows what the issues are and what is expected of them, they will generally cooperate. What they don’t like is when it is two months into the process and they discover that this person is now saying that the eave is not the correct ratio, or their roof line or their sign is not going to get approved. We try to have a team working with the business to ensure predictability.
Businesses are willing to participate for the right solution, at least in the world of infrastructure for us on the transportation and roadwork side. Helping communities find financial packages to put together some of the roadway design and delivery models can be an expensive proposition, but by **working together and partnering, successful implementation is possible.**

Companies like certainties. I’ve watched them forego thousands of dollars in incentives just for certainty. There could be two cities competing and they know exactly what their compliance metrics are. **They want to know everything upfront,** and if that is clear and concise, they’ll know what they are getting into.

It is all about transparency, and that has never been more important.
ABOUT CLARK SCHAEFER HACKETT

Municipal governments are tasked with managing shrinking budgets while bearing increased pressure for services. In addition to understanding and meeting compliance regulations, it’s important that you can produce clear, accurate financial information when it is requested by government officials, the media, or taxpayers. For several decades, our advisement of governmental offices has resulted in leaner, more effective operations, optimized revenue, managed risk, and greater transparency.

OUR FIRM  Founded in 1938, Clark Schaefer Hackett is one of the 65 largest CPA and advisory firms in the U.S. We offer best-in-class technical expertise in audit and assurance, risk management, benefit plan consulting, forensic and litigation support, valuation and transaction services. We combine the insights and ideas of multiple disciplines to provide solutions in a wide range of industries, including manufacturing, construction and real estate, distribution, healthcare, financial services, as well as government entities, higher education institutions and not-for-profit organizations.

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BRIAN MOSIER
Manager
bmosier@cshco.com

Brian Mosier has many years of experience auditing local governments with the Auditor of State of Ohio and Clark Schaefer Hackett. He has extensive knowledge and experience in performing and managing audit engagements under the requirements of GAGAS and OMB Circular A-133. Brian has worked with many governments throughout Ohio, both large and small. Brian has also led cost report audits, consulting, and internal control review engagements for many clients.

KERRY ROE
Shareholder
kroe@cshco.com

Kerry Roe chairs the firm’s Government Services Group and fully devotes his time to providing accounting, auditing, consulting and tax services to governmental and not-for-profit organizations. Kerry has worked with organizations and agencies of many types and sizes, performing audits under the requirements of the Single Audit Act Amendments of 1996 and OMB Circular A-133, of states, local governments, and not-for-profit organizations, as well as specific funder requirements such as state or local requirements. Kerry began his career as an auditor with the State of Ohio.

LARRY WEEKS
Shareholder
lweeks@cshco.com

Larry Weeks’ primary area of expertise is auditing government agencies. Prior to joining the firm, he was employed by the Auditor of State’s office for approximately nine years, where he was responsible for managing and performing audits on all types of local governments; including cities, counties, colleges and universities and schools.

ED WALSH
Shareholder
ewalsh@cshco.com

Ed Walsh is the Shareholder-in-Charge of the firm’s Columbus office. Upon graduating from the University of Notre Dame, Ed joined an international accounting firm. He joined CSH in 1985 and has assisted in the significant growth of the Columbus office. He is a member of the firm’s Executive Committee and chairs the firm’s Strategic Planning Committee.

CSH AROUND THE TABLE FOR GOVERNMENT

KERRY ROE
Shareholder
kroe@cshco.com

LARRY WEEKS
Shareholder
lweeks@cshco.com

ED WALSH
Shareholder
ewalsh@cshco.com

BRIAN MOSIER
Manager
bmosier@cshco.com