



TO: MAYOR JOHN DICKERT, CITY OF RACINE
CITY OF RACINE REDEVELOPMENT AUTHORITY
CITY OF RACINE FINANCE AND PERSONNEL COMMITTEE

FROM: LAURA MILLION, BUSINESS DEVELOPMENT MANAGER, RCEDC
JENNY TRICK, EXECUTIVE DIRECTOR, RCEDC

RE: 2016 RESULTS – RCEDC/ CITY AGREEMENT FOR ECONOMIC DEVELOPMENT ACTIVITIES
2017 CONTRACT AGREEMENT

DATE: JANUARY 5, 2017

INTRODUCTION

This memorandum was prepared for two purposes. The first purpose is to provide an overview of the 2016 results specific to the RCEDC/City of Racine economic development agreement. The second purpose is to provide an overview of a Funding Ad Hoc Committee that RCEDC established in 2016 to review the various community contract agreements. The recommendations from this analysis resulted in requested increases to the community contracts.

RCEDC/RACINE AGREEMENT

Under this agreement, RCEDC serves as the City's economic development staff, provides technical assistance to the City and works with the Mayor and the Department of City Development to promote investment and job growth in the City of Racine. Our activities include providing support to existing businesses, recruiting new businesses to the City, providing Business Finance support and Workforce Development support.

BUSINESS RETENTION AND EXPANSION ASSISTANCE

Work to assist existing businesses with growth opportunities includes several elements including the following:

Activity	2015 Results	2016 Goal	2016 Results
Retention/Expansion Projects	7 (3 City)	6	5 (1 City)
2016 Projects: R&B Grinding			

Activity	2015 Results	2016 Goal	2016 Results
Existing Business Programming <ul style="list-style-type: none"> • CEO Roundtable • WMEP Workshop Series (4) and Additive Manufacturing Workshop with Gateway 	9 (6 City) N/A	10 6	10 (7 City) 5
Business Call Visits and Marketing Outreach	54 (32 City)	60	67 (15 City)
Technical Data Requests	134 (57 City)	100	160 (60 City)
Monitor Active Development Agreements—Summit Packaging; Butter Buds, Apak, Marlo, Altus Vinyl, Vista Dental, and DeltaHawk Engines	7	7	7

BUSINESS RECRUITMENT

RCEDC provides support to companies seeking a new location in the City of Racine. In addition, RCEDC meets with real estate brokers, site selectors and others to provide information on the value of locating in the Chicago-Milwaukee Corridor. 2016 results for Business Recruitment included the following:

Activity	2015 Results	2016 Goal	2016 Results
Companies Recruited	6 (2 City)	5	3 (2 City)
2016 Businesses Recruited: My Bread Bakery, AccuColor Plus			
Prospect Development <ol style="list-style-type: none"> Attend Regional Real Estate Focused Events (AIRE, NAIOP, CARW, & European Chamber) Meet with Real Estate Developers and Brokers Proactive Outreach Campaign 		12 50 Contacts 2 Campaigns	20 79 Contacts 2 Campaigns (80 new contacts)
Major Projects--Major multi-year projects. City projects include Downtown Racine Project, Commercial Racine Project, Machinery Row		7	9 (3 City)

BUSINESS FINANCE ACTIVITIES

RCEDC's Business Finance Division works to provide low-interest loan opportunities to both existing and new to Racine County businesses. 2016 results are noted below:

Activity	2015 Results	2016 Goal	2016 Results
Loan Approvals (Acme Metals, Mauer Home School, R&B Grinding, Four Seasons Lawn Care, Halloween Express, Nelson Brothers, My Bread Bakery, Herman & Kittle (canceled))	18 (4 City)	23	24 (8 City of Racine)
Work with Prospects Seeking Financing Assistance	136 (40 City)	200	197 (City of Racine 46)
Maintain High-Quality Loan Servicing and Closings	Ongoing	Ongoing	Ongoing
Racine County Matching Grant Program (Bukacek Construction Group; Econoprint of Racine; Marini Manufacturing; Pipes Down Under; Reliance Controls Corp; DeltaFlex; Fischer USA; Marz Insurance; Tina's Dress Boutique; My Bread Bakery; ScanTribution; Design Touch; Corporate Images)			27 (13 City)

WORKFORCE DEVELOPMENT ACTIVITIES

Companies working with RCEDC through our business retention and expansion, recruitment and business finance activities also have access to the Workforce Solutions team at the Racine County Workforce Development Center. In addition to RCEDC's Executive Director representing the City on the Center's Management Team and the Workforce Development Board Planning Committee, 2016 included the following Workforce Solutions activities:

Activity	2016 Goals	2016 Results
Companies Assisted with Tangible Resources	12	12 (4 City)
On-Site Recruitments	50	100
Market and Coordinate Job Fairs	4	4
Facilitate Youth Internships	50	5
Market and Coordinate Job Fairs	4	4
Develop and Distribute Relevant Employment	4	4

Data		
Development and Coordinate Lunch & Learn Programs (Suspended mid-year)	6	3
Activity	2016 Goals	2016 Results
Post-Employment Data and Workforce Solutions News on Social Media	52	52
Increase Number of Employers that Post on Job Center of Wisconsin by 15% (over 2015)	15% Increase	Achieved

RCEDC OPERATING FUND ANALYSIS

In January 2016 the RCEDC Executive Committee established an Ad Hoc Committee that included Racine County Executive Jonathan Delagrave, Mayor of Racine John Dickert, Greg Barron of SC Johnson and Mark Lewis, Publisher of the Journal Times.

RCEDC TRANSPARENCY

The RCEDC revenues fall into five broad categories:

- Private investors (14%)
- Racine County support (14%)
- Business financing fees (31%)
- Community contracts (35%) and
- Miscellaneous revenues (6%).

RCEDC expenses fall into one major category and several smaller categories:

- Salaries and benefits (79%)
- Marketing (8%)
- Rent and telephone (6%)
- Legal and Professional Expenses (4%)
- Staff Training (2%)
- Contingency (1%)

As a service organization one of RCEDC's primary costs is its Staff—the people that deliver the economic development services throughout Racine County. Although management has and will maintain a conservative approach to expenses, the focus of the balance of this memorandum is on revenues, specifically the support provided by Racine County and the community contracts.

REVIEW OF COMMUNITY CONTRACTS

One revenue category is the community contracts. RCEDC currently has eight (8) community contracts (1) Burlington; (2) Caledonia; (3) City of Racine General; (4) City of Racine Brownfield; (5) Mount Pleasant; (6) Sturtevant; (7) Union Grove; (8) Yorkville. Racine County provides

financial support in two ways – marketing and general support. The community contracts are enumerated below:

Category	2012	2013	2014	2015	2016
City of Racine General Contract (1998 contract: \$56,650)	\$ 67,000	\$ 69,000	\$ 69,000	\$ 69,000	\$69,000
City of Racine Brownfield (2005 contract: \$55,000)	\$ 55,000	\$ 56,650	\$ 66,650	\$ 66,650	\$66,700
City of Burlington (1998 contract: \$32,900)	\$ 40,000	\$ 41,200	\$ 41,200	41,200	\$42,400
Mount Pleasant (2004 contract: \$17,000)	\$ 25,000	\$27,500	\$ 30,000	\$ 30,000	\$31,500
Caledonia (2006: \$30,000)	\$ 30,000	\$ 30,900	\$30,900	\$ 30,900	\$31,800
Sturtevant (2002 - \$15,000)	\$ 25,000	\$ 25,000	\$30,000	\$ 30,000	\$31,500
Union Grove (2005 contract: \$20,000)	\$ 30,000	\$ 30,900	\$ 30,900	\$ 30,900	\$31,800
Yorkville (2012 contract: \$15,000)	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,500	\$15,500
Totals	\$327,000	\$340,750	\$ 354,850	\$ 355,350	\$320,200

DATASETS REVIEWED

In an attempt to develop a funding model that is based on data and measurable outcomes, the Ad Hoc Committee reviewed a variety of data including:

- Municipal population,
- Number of businesses,
- RCEDC projects completed,
- RCEDC projects with construction (i.e., new tax revenue),
- Community contract services and annual fees,
- RCEDC mission,
- How each Staff implements the mission through individual work plans, and finally
- Findings from interviewing eight Wisconsin economic development organizations.

The Ad Hoc Committee believed the best data to focus on was data that RCEDC was directly involved, specifically the number of projects completed by RCEDC Staff. Since beginning a proactive business recruitment & expansion program in 2007, RCEDC has been tracking all projects, successful and unsuccessful.

The projects that were successfully completed, along with private investment and jobs are below:

Year	# of Projects	Project Total	Construction Costs	Jobs Retained/Created
2007	13	\$31,973,950	\$28,063,211	172
2008	18	\$27,719,061	\$20,298,218	135
2009	11	\$16,112,308	\$10,182,310	312
2010	18	\$136,622,000	\$21,740,997	790
2011	14	\$68,318,000	\$28,978,216	2,149
2012	23	\$94,036,665	\$44,218,507	866
2013	41	\$52,748,062	\$26,487,826	450
2014	38	\$94,018,047	\$21,447,277	1,360
2015	33	\$82,472,000	\$36,072,560	569
Total	209	\$574,000,000	\$219,701,560	6,800

By community, the projects completed were the following:

Municipality	Projects Completed (2007 – 2015)	% of Total
Burlington	19	9%
Waterford	17	8%
Union Grove	23	11%
Yorkville	15	7%
Mount Pleasant	21	10%
Caledonia	11	5%
Sturtevant	20	10%
Racine	77	36%
Racine County	6	3%

Further breakdown of total project investment by year and by community is shown below:

Community	2007	2008	2009	2010	2011	2012	2013	2014	2015	Totals
Racine	\$8,310	\$1,805	\$3,062	\$17,339	\$6,156	\$6,002	\$9,956	\$52,420	\$4,089	\$109 M
Mt. Pleasant	\$2,635	\$15,527	\$1,850	\$79,763		\$6,393	\$8,661	\$15,174	\$34,568	\$165 M
Caledonia	\$1,129			\$1,170	\$.851	\$12,876	\$1,595	\$3,378		\$ 21 M
Sturtevant	\$3,500		\$8,657		\$46,787	\$51,377	\$7,100		\$19,679	\$137 M
Yorkville	\$9,500	\$8,718	\$2,500	\$33,270	\$8,589	\$9,492	\$16,403			\$ 88.5 M
Raymond						\$.619		\$.535		\$1.15 M
Union Grove		\$1,159					\$2,400	\$7,556	\$5,622	\$ 16.7 M
Burlington	\$6,900		\$.043	\$5,080	\$5,935	\$6,703	\$6,548	\$14,847	\$15,051	\$ 61 M
Waterford						\$.574	\$.080	\$.407		\$ 1.1 M
Rochester		\$.509							\$.350	\$ 1 M

In review of the total number of projects (209) completed, **70 business expansion or recruitment projects occurred in Racine.** The projects were delineated among the RCEDC divisions that led the activities. This allowed us to convert the total number of projects

completed (209 total/70 projects completed in Racine) to a percentage and apply those same percentages as staff “time” to determine the amount to be charged to that community.

Community	Total Number of Projects Completed 2007-2015	Community Development	Business Development	Business Finance
Racine	70	100%	30%	54%
Sturtevant	20	NA	16%	7%
Mount Pleasant	21	NA	14%	11%
Caledonia	11	NA	7%	6%
Yorkville	15	NA	16%	1%
Union Grove	23	25%	5%	5%
Burlington	19	25%	8%	10%
Racine County	6	NA	4%	4%

With this information, Staff developed 2017 financial projections, extracted the staff costs and applied the related percentage of staff costs to each community. For administration, an approximation was developed based on the amount of time dedicated by the Executive Director, accountant and part time administrative assistant.

Community	Total Number of Projects Completed 2007-2015	Community Development	Business Finance	Business Development
Racine	70	100%	54%	30%

To complete the work in Racine, the RCEDC Staff costs were applied:

Division	% of Staff Time
Community Development	100% of Community Development
Business Finance	54% of Business Finance
Business Development	30% of Business Development
Administration	10% of Executive Director and 15% of Accounting & Support Staff
TOTAL:	\$421,897

We applied this information to all of the contracts, in each community, based on the number of projects and percentage of time spent and developed the table below:

Description	Racine County	Burlington	Union Grove	Yorkville	Mount Pleasant	Caledonia	Sturtevant	Racine General	Racine Brownfield
2016 Contract	\$117,000	\$ 42,400	\$ 31,800	\$ 15,450	\$ 31,500	\$ 31,827	\$ 31,500	\$69,000	\$66,500
2017 Proposed Contract Amounts	\$125,000	\$ 42,400	\$ 31,800	\$20,000	\$ 40,000	\$ 40,000	\$40,000	\$80,000	\$70,000
Difference between 2016 and 2017 contracts	+ 8,000	--	--	+4,550	+8,500	+8,173	+8,500	+11,000	+3,500
2017 Projected RCEDC Expenses applying 2007 – 2015 %'s per Community	\$163,693	\$102,280	\$76,388	\$ 66,353	\$110,341	\$75,679	\$99,276	\$421,897	
% of 2017 RCEDC costs covered by community contract	76%	41%	42%	30%	36%	53%	40%	36%	

Because RCEDC receives loan revenues from businesses that secure an RCEDC loan, Staff determined it would be appropriate to apportion the 2017 projected loan revenue percentages (based on the historical average) to Racine. See the table below:

2017 Projected Loan Revenue	2007 - 2015 % of Loan revenue that occurred in Racine	Total Staff Costs to deliver annual results in Racine	Proposed 2017 Contracts (General and Brownfield)	Projected Loan Revenue Specific to Racine Projects	Total Racine Revenue to Cover Staff Expenses	Contract Covered %	% Difference between RCEDC Cost & 2017 Contract
			+		=		-Subsidy-
\$313,928							
	54%	\$ 421,897	\$ 150,000	\$169,521	\$ 319,521	76%	Gap: \$102,376

Conclusion

A contract amendment for 2017 will allow us to better align the costs that are necessary to deliver these projects in Racine. The RCEDC Executive Committee has approved this long term funding model and is seeking a formal request to increase the annual contract from the combined amount of \$135,500 (\$69,000 general; \$66,500 brownfield) to \$150,000 (\$80,000 general and \$70,000 brownfield).

Our long term goal is not to seek a 1:1 ratio, but to work toward reducing the subsidy that is required to service Racine. Over the years all of the community contracts have been subsidized by other RCEDC revenues, primarily private investors and one time grants. Although we can expect that a portion of all of community contract services will be subsidized by other funding, we need to be mindful so as not to exacerbate the subsidy beyond what is reasonable.

Thank you for entrusting us to serve your community, to support your growing businesses and prepare your brownfields for future development.