



September 23, 2010 CVC Meeting Notes (Economy)

9/30/10

PANEL DISCUSSION

A panel of regional experts was assembled to help inform the committee's discussion on the topics of Economic Development and Financing and Taxation. Participants included:

- Doug Davidson, President, County Economic Research Institute (CERI)
(Overview/Macro Perspective)
- Tim Cowden, Senior Vice President, Business Development, Kansas City Area Development Council
(Regional Perspective)
- Tim McKee, Executive Vice President, Economic Development, Olathe Chamber of Commerce
(Local Economic Development Perspective)
- Scott Neufeld, Budget Director, Johnson County Government
(Budgeting for County Government)
- Kristy Stallings, Interim City Manager/Deputy City Manager, City of Overland Park
(Finance and Budgeting for Cities)

Each panelist was asked to respond to the following questions as they relate to their particular area of expertise:

- What major initiatives has your organization been focused on that will have an influence on Johnson County in the future? What has Johnson County's role been in these initiatives?
- What are the biggest challenges Johnson County faces in the next 10 to 20 years with regard to the economy and finance?
- What are the biggest opportunities you see for Johnson County in the next 10 to 20 years with regard to the economy and finance?

Speaker #1: Doug Davidson, President, County Economic Research Institute (CERI) (Overview/Macro Perspective)

Handouts: The Johnson County Advantage; Johnson County Indicators, September 2010; Johnson County: An Economic Primer (2010)

- Public/private partnership – research to support economic development, work with local government and with small businesses
- CERI produces a monthly report (Johnson County Indicators) that provides overview of the Johnson County economy based on 20-30 indicators

- Presentation: Overview of twenty to thirty year economy, followed by observations on current conditions
- Johnson County accounts for over ½ of the metro area's population growth and economic growth. Reasons:
 - Quality of life, schools
 - Good local government leadership
 - As cities grew and infrastructure developed, market was there to support commercial growth as well as job growth, from 1970's on
 - Recession has affected Johnson County more than any prior recession. Reasons:
 - Real estate/construction market impact, has always been leading part of Johnson County's growth
 - Financial services market impacts hit Johnson County hard
 - County is growing jobs, but more slowly than labor force
 - County is growing more slowly than before, but tide appears to have turned.
- Going forward, expect market will come back.
 - County's assets are still in place – workforce (top 20 nationally), infrastructure, quality of life
 - Demographic shifts – seeing a pullback in people moving to Johnson County from elsewhere, more internal growth due to births

Speaker #2: Tim Cowden, Senior Vice President, Business Development, Kansas City Area Development Council (Regional Perspective)

- His role – sell region to nation and the world, for investors looking to create jobs
- His organization doesn't have a preference about where jobs land within the region—as long as they land in the region. Sell region as a diverse portfolio.
- KC product has to compete in the marketplace – good to give customers a choice and the diversity of municipalities/locations within the region provides that
- County has a lot to offer now, much to work with in fostering a vision for the future
- Looking 20 years out, where do you want to be?
- Major initiatives:
 - Animal health cluster – Manhattan through KC to St Joseph, Columbia. We have 1/3 of worldwide 18 billion sector, and will continue to grow.
 - Biosciences/life sciences
 - Advanced energy – aggressively marketing wind energy company, battery storage
 - Logistics/manufacturing – Intermodal Center in Edgerton
 - US Bank—1300 jobs to region

Speaker #3: Tim McKee, Executive Vice President, Economic Development, Olathe Chamber of Commerce (Local Economic Development Perspective)

- Serves as economic development organization for the city of Olathe

- KCADC has reps across the country (NYC, LA, Chicago, etc) – we work as a team with other regional partners
- Reason for our success – schools
- Infrastructure is an issue, trying to keep up with growth
 - 10 new people per day at peak of growth (3,000 per year)
 - 1800 single family homes built in 1998—340 in 2009
- Challenges and opportunities:
 - Intermodal Center south of Olathe, working with the county on this. Planning for new interchanges along I-35, \$15-20M infrastructure investment generates close to \$1B in private investment
 - Areas with city sewer service, planning for future growth—1,000 acres in south Olathe will be served soon
 - City of Olathe has long had a focus on downtown redevelopment, working with the county and its facilities
 - Parking structure had been many years in the making (complete)
 - Raised rail coming into town, to alleviate traffic into downtown (complete)
 - Streetscape project to improve gateway along Santa Fe
 - Railroad quiet zone
 - Land for new courthouse – full block for eventual development
 - Bioscience Initiative (Kansas Bioscience Park)—city donated 100 acres
 - Research Triangle initiative – County had a big role in putting that together

**Speaker #4: Scott Neufeld, Budget Director, Johnson County Government
(Budgeting for County Government)**

Handouts: Johnson County Government, Budget & Five-Year Financial Forecast, September 23, 2010

- Revenue overview – ad valorem and sales tax affected by recession
- County differs in that cities rely on sales tax more than county; Ad valorem primary revenue source for county
- County has three different taxing districts
- County has lowest mill levy tax rate in state
- Assessed value has declined in 2009 and 2010 – biggest drop was in current year, -5.23% decline
- Projecting that ad valorem will continue to decline if we stay at current mill rate, will continue to lag for 8 years
- On expenditure side, infrastructure is the biggest share. Public safety is the largest department/share of expenditures.
- Projections are for modest growth in expenditures, but with continuing lag in revenues, will need to continue to make up the difference – rely heavily on reserves to do this
- Have managed to avoid big cuts by focusing on efficiency, may need to look at service reductions in next few years without additional revenue and/or mill levy increase (assumes stable ad valorem mandated by BOCC)

- As things get tougher, values come into question—what services are the highest priorities?
- Departments are all prioritizing their services, will need to look agency-wide at some point over the next couple of years.

**Kristi Stallings, Interim City Manager/Deputy City Manager, City of Overland Park
(Finance and Budgeting for Cities)**

- Cities have encountered similar challenges as the county over the past few years.
- Sales tax (nearly ½) accounts for most of city revenues.
- During 1990's, average annual sales tax growth rate was 6-7%; in recent years, sales tax rate has been negative. Has created various challenges for the city. 2010 sales tax collections will be the same as in 2003. 10% reduction since 2006. Not projected to get back to 2006 levels until 2014.
- Cycle is interconnected – has an impact on ad valorem taxes and property taxes.
 - Residential property values are stabilizing
 - Commercial property values are projected to decline through 2012
- Have had to make staff cuts (90 FTEs eliminated), reduced investment in maintenance and capital improvements.
- Finance tools available to cities for economic development are slightly different than those for counties:
 - Public/private partnership – districts with special sales tax; transportation development district.
 - TIF has been used (Cherokee South was city's first TIF district)
 - City is focused on Metcalf Corridor (very long-term vision).
 - New tool – community improvement district; similar tool as a transportation district but can use for a longer list of improvements.
 - Economic development revenue bonds can be used for specific projects, allows for property tax abatements for up to 10 years.
 - STAR bonds have been used.
- Challenges to be faced:
 - Aging and new infrastructure needs
 - Property values – long term growing out of the recent market conditions
 - Reinvestment/redevelopment
 - How much sales tax will consumers tolerate?
 - Evolving demographic trends, aging, and diversity will place new challenges. Next 50 years will be very different, but hopefully our strengths will carry us forward.

COMMITTEE QUESTIONS/COMMENTS:

1. How do you balance the needs and differences of the region as it relates to transit and tourism?
Challenges of sprawl?
 - Focus has been on orderly growth, not leapfrog. Not sure how that relates to transit, as pattern of growth goes further out will make it more of a challenge.
 - Tourism – STAR bonds are geared towards tourism, big focus is business travelers, also sports.
2. Is there an opportunity for the county's role to expand with respect to regional perspective?
 - Workforce a key factor (US bank example)—doesn't know boundaries, minutes a mile, county has a reputation in creating a workforce that businesses want
 - Farmer's Insurance --why Olathe—commitment to quality education and workforce
3. Aging population has a huge impact—many communities moving ahead. Johnson County needs to address quickly. Transit also plays into human services—need to talk about moving people from where they live to where they need to go.
4. International Trade- what can we be planning towards?
 - Biosciences a good opportunity to grow; currently a center for engineering around the world; population growth and diversification also provide growth opts. –workforce and export, international connection,
 - Coleman facility-1M square feet, South Olathe/Gardner. 90percent of product comes from China, distributed to Wal-Mart, etc. Import business is a huge player in the region (returning those containers to China loaded is another opportunity)
5. How important are cultural facilities in attracting/retaining workforce and employers?
 - Quality of life amenities important to maintain in order to maintain jobs and retain workforce
6. How will growth toward the south (Olathe) be balanced with deterioration in older areas of the community?
 - City is looking in both directions due to age of city—outward growth and revitalization of established areas
7. What have been some mistakes that we've made that we need to be mindful of as we look forward?
 - NASCAR and associated development good for metro, but has changed the dynamics in some of the cities in terms of older area stability.
 - Critical to maintain our schools

8. What is the long-term impact of recent school closings (Shawnee Mission) years on the import/export of population?

- Growth has fueled many of the amenities; what are we willing to pay for, what are our amenities, not going to be easy going forward.
- Reinvestment in schools will be needed, but will require commitment to reinvestment that hasn't historically been there

9. Fifteen years from now...what language will you be using to "sell" the county?

- Safety, education, quality of life, quality workforce, are hopefully the same things we are selling
- County has thrived on the certainty of the above assets its been able to provide to residents and investors—need to continue to be able to provide that certainty in the future.

COMMITTEE WORKSESSION: VISION TOPIC #1—ECONOMY

Economic Development: What role should Johnson County play in the region's economic development efforts?

- Need to be on alert for new and innovative economic development opportunities
- Why did we lose those companies that didn't land here (and what can we learn from that?)
- Incentives have been a big factor—but less resources available for incentives now
- Seek to retain those who have come for the building blocks (employers and workforce); however, many communities are marketing similar amenities—need to focus on staying ahead of the curve
- What should the county's role in annexation be in the future
- Not just about attracting new businesses—retention of businesses and workforce are just as important
- Diversity in skills and workforce critical—needs to be a balance between professional jobs/skills and support services/skills
- CERI model and county's current (support) role has been effective
- Most of the viable development opportunities for new businesses tend to be in the cities
- May be opportunities for an enhanced role for the county in terms of marketing its workforce—shared resources between cities/county
 - JCCC has played a significant role—workforce programs and small business center have helped the region quickly respond to changing workforce and training needs—huge asset
 - WIB-workforce investment board
 - KU Edwards Campus—also working on workforce issues

Economic Development: What are our building blocks?

- Schools
- Neighborhoods
- Quality of life (low stress, low crime)
- Accountability of elected officials
- Civic leadership
- Need to acknowledge different levels of workforce—non professional as well as professional (both part of a healthy economy and community)
- Public safety (but must not be lost)
- Need to retain residents and workforce who came to Johnson County for these things
- Alternative HS education models
- JCCC- 2-year program as an alternative

- Community's association with the neighborhoods they live in –need to support this distinction and the cities that make the county diverse
- There is value in the unique community characteristics that the county has, but building blocks will need to be retained/enhanced to remain competitive and retain workforce/residents— choice of place to live
- Lower income residents came for same building blocks—serve as retail workforce, need to be sure they are not lost
- Younger generation (millennials) may have a different perspective on the county's vision—need to think about how to get their ideas incorporated into the vision
- Johnson County is seeing a new level of citizenry who can't support their families

Economic Development: What will drive our economy in the future?

- International, global diversity, language center
- Diverse workforce and all other aspects discussed by the panel
- Need to consider how to brand emerging industries and the Johnson County lifestyle—it's about opportunity, not just wealth.
- How does the rapidly changing state of technology affect our vision? How do we keep it relevant if things change so quickly?

Financing and Taxation: How can Johnson County maintain services and quality of life in light of increasing demands and reductions in sales tax and other revenue?

- How to reinvent government—not the same as previous years
- Need to reevaluate county's role in some functions—may need to consider consolidation of some functions; however, the 5-year timeframe (recovery) is different than 10-20 years (modest growth)
- Seek diversity in revenue sources (as well as diversity in workforce, employment, and residential)
- How does annexation/incorporation affect this question? Are current practices beneficial or detrimental to the county's bottom line? (island annexation example, which Andrew indicated were property owner initiated)
- Shared fire station model should be considered to help reduce duplication of equipment and services if possible
- Rather than assuming that we must reduce services or increase taxes—explore whether current service levels can be maintained through efficiencies and restructuring
- Some Johnson County services are already shared with cities
- Some in Johnson County are willing to raise taxes if needed because services are valuable to them

- Need to ask the question: Do we want to be known for having the lowest taxes or our quality of life? If it's the latter, are we willing to pay for it?
- County is in a unique situation due to its location. Increasing pressure for the county to help support the region and the state—some of it is out of the county's control
- County vision will require buy in from the communities. E.g., some cities have raised taxes although county has not—more coordinated approach is needed
- Look at duplicative administration services for opportunities to consolidate/streamline (e.g., school district example)
- County already has models to look at with Desoto
- County residents benefit from their location in terms of cultural amenities and sports venues in the region—may be worth supporting a Bi-state tax
- Only so much efficiency that you can create—at some point taxes are needed as an investment in our future—when does this question get asked of those who are willing to invest in the county
- Out state Kansas efficiency may be easier to talk about if Johnson County tackles as well
- How will technology change this discussion in the future
- Need to focus on what the county can control in terms of efficiencies in the future