

Red Wing Mayor's Blue Ribbon Panel on Economic Development
Meeting Location: SE Technical College
Minutes of April 27, 2010

Members Present: Scott Wordelman, John Becker, Jim Johnson, Dan Massett, Duffy Schafer, Kenneth Bush, Mayor Howe, Carolyn Hedin, Kathy Radmer, Gary Iocco, Scott Adkisson, Donna Anderst, Linda Thielbar

Absent: Denny Tebbe, Dennis Egan, Michael Murphy

Scott Wordelman called the meeting to order at 6:40 p.m.

Minutes:

Gary I. motion, Donna A. seconded. The minutes were approved unanimously.

Jennifer Ridegway from DEED

Scott W. introduced the first speaker, Jennifer Ridegway from DEED, and indicated that the time set aside for the presentation will be 1.5 hours, so that there is plenty of time for framing the discussions and gathering questions on the Port Authority.

Scott W. asked panelists to introduce themselves. Following the introductions, Jennifer introduced herself. Jennifer started her presentation called The Red Wing Labor Market, an overview of workforce and economic trends in Red Wing and Southeast Minnesota. Jennifer said DEED mission is to support the economic success of individuals, businesses and communities by improving opportunities for business growth. She serves twenty counties and offices in Rochester.

Jennifer explained that there are three themes to her presentation: commuter trends, employment trends, and workforce trends.

Commuter Trends - Commuting patterns are studied. Jennifer showed Red Wing labor shed. Everyone who works in Red Wing commutes from a broad area – Goodhue, Pierce, Dakota, Washington, and Wabasha. The term used to describe Red Wing residents who commute out of Red Wing for employment is commute shed. Red Wing residents work in Goodhue, Dakota, Hennepin, Olmsted, Pierce, Steele, Wabasha and Washington. Commuter trends are studied because they have implications on transportation systems, population growth, and labor supply. DEED studies commuting patterns to help make decisions on transportation routes, along with understanding the labor supply. Understanding the labor supply is important in assisting businesses who might want to locate in Red Wing. Jennifer stated that it seems ironic to discuss concerns about labor supply now in this economic situation, but it is a concern that will arise in the future. Scott W. stated that the panel is concerned about the number of people moving to Red Wing, but yet commuting to other work areas. This may affect our local ability to expand business. Jennifer stated that Red Wing is positioned near a metro area, which offers some opportunities to attract employees from the metro area, yet works against us because the metro area offer lots of employment opportunities.

Jennifer R. stated that the DEED website offers lots of information and is being upgraded to allow for additional division of the labor group by age and etc.

Dan M. asked if Red Wing is unique and Jennifer said that Red Wing's situation is not unique because of the distance from the metro. What adds a little different twist is Red Wing's close proximity to Wisconsin. Wisconsin doesn't have the population density seen in Eastern MN.

Carolyn H. asked if the employment statistics are for fulltime jobs or all jobs. Jennifer R. stated it's by any job.

Employment Trends

Jennifer R. next address employment trends and reported that labor supply is analyzed by both numbers and skill-base.

Most industries decide where to locate based on site selection factors. The most recent survey shows that labor costs were at the top of the list of factors to be considered when locating a business. Roadways, taxes, energy costs/options were next. Number six is the availability of skilled labor and at the bottom of the list is the availability of unskilled labor.

Goodhue County's employment trends are generally in line with county, state and U.S. trends. The number of jobs is a good indicator of the economy. Goodhue County is about average. Our region and state used to trend better than the nation as far as negative impact from the economy, but now we are trending very close to the national average. Jennifer R. suggested that soon we should be ahead of the state and national employment rates again. Unemployment is still high. Unemployment rates are lower than the nation, but still two – three percentage points higher than previous years.

Kathy R. asked why Minnesota and Goodhue will come out of the recession earlier than the US. Jennifer R. explained that it's partially because we went into the recession earlier, and our diversified state economy will allow us to come out earlier.

Jennifer R. showed a chart that addressed payroll figures in Goodhue County for 2001-2006. Prior to the recession, job loss was in manufacturing, education and administrative positions. Industry reduction is a pattern experienced by others. The largest increases in payrolls were in retail, healthcare, and social assistance areas.

Gains in employment figures from 2001-2006 were department stores, fast food, government, trucking, power supply and utility construction, agriculture, manufacturing, health clinics. Losses were in large manufacturing, recreation related industries, elementary and secondary education.

Currently, during the recession (2007 through the third quarter of 2009), the largest loss is number of jobs has been in manufacturing, retail trade, and food service. Agriculture is gaining jobs, recreation is stabilized, and the entire sale trade industry is gaining jobs.

John H. asked for a definition for social assistance. Jennifer said it's any assistance for child care or senior care and that it can be private or public. In this case the statistics include all jobs both private and public.

Public administration figures are the only truly government only position. Gains in the number of jobs are in the areas of nursing and community care, power generation, corporate head quarter, architecture. Losses are in manufacturing real estate, employment services, food services, retail, construction and transportation.

Jennifer reminded the panel that hiring and new jobs aren't always the same.

She addressed a chart for employment change by industry sector: projected 2008-2018. Total numbers of new jobs professional and business services rise to the top of the nation-wide list. Health care and social assistance are expected to experience growth. State and local government, including education will be hiring. Construction will be increasing but at a lesser rate.

Projected Annual Average Rate of Change in U.S. 2008-2018. Even though output to grow is manufacturing, it doesn't mean more jobs. It means the industry is becoming more productive. So you will see negative change in employment. Most important industries in SE MN are Utilities, construction, and etc.

Work force Trends: What's on the Horizon? Percent change in employment by occupation.

Projected growth for 2008-2018. The big drivers have been healthcare and IT jobs. Now it is biomedical engineers, network systems and data communication analysts. In total numbers of jobs, it's registered nurses, home health aides, customer service representatives, and etc.

There are a lot of less skilled jobs becoming available and will make up the largest opening of jobs in the future.

Implications... Types of works available and then the cost of labor.

Changes in core skills required, technology and tools, critical thinking and problem solving, communication, basic skills- science engineering and math.

To really get a sense of what local needs are – talk to your employers. Community being flexible and responsive is a challenge. Have a relationship with your local schools.

Jobs won't change but how we do the jobs will change.

Jim J. commented that they feel the key is giving students the ability to learn. Kathy R. said that at an elementary and secondary level, they are focusing on critical skills. There is a STEM program in Red Wing. Science, Technology, Engineering, and Math (STEM). Jennifer commented that the bottom line is to reflect on the community needs. Economic Development and education need to be tied into the needs of local businesses.

Occupations in demand. Jennifer addressed job seekers. DEED provides an occupations and demands information. Workers can see what is at the most demand. Nurses and food service are on the top of the list. The website directs them to the school that provides the skills.

The web also provides information on transferable skills. People need to know what their options are based on their skills and experience.

Jennifer provided copies of her presentation and encouraged folks to call her with questions.

Scott summarized by saying:

- We have more people commuting out then coming in, similar to other communities.

- Top two issues for companies are labor availability and skilled labor.
- With unemployment we are in with the others, but in 2009 Goodhue County lost 3 percent jobs. Jennifer will get the actual figure.

Gary I. asked if we are still flat or trending up. Jennifer said that we are increasing, but still starting at a really valley. We are in a U shaped recession and just coming out. It will take a couple years to fully recover.

John H. asked how fiber ranked. It ranked number nine. Jennifer said this would depend on the type of company.

Art K. asked if Jennifer thought the ranking for fiber would be rising. Jennifer said she did think it would increase, but that she wasn't a fiber expert.

Jennifer thanked the group. Scott thanked Jennifer for her presentation.

Chris Gasner, SEMDC (Ron asked Chris to step in because Ron was double- booked)
Chris spoke to the county's perspective on economic development. Goodhue County has asked Ron to augment and assist with economic development efforts from Goodhue County cities. Tools available are a revolving loan program, tax-abatement. They are also asked to facilitate projects. Commissioners have said they would like to have the growth of business be in municipalities. The corporation works in twenty four cities and counties. Their job is to act as their economic development staff. They typically work in rural areas. Even though they are working in smaller communities, they are seeing the same trends across the board. Chris commented on the wealth of information that Jennifer provided.

Scott W. asked Chris to talk about the structure of SEMDC. The organization model is a private non-profit organization. The company has been around for twenty-five years, starting as a grant writing company doing small cities block grants. The administration dollars allowed the organization to focus just on grants. About fifteen years ago those dollars dried up and they had to find different areas to grow their business. A number of communities couldn't afford economic development staff and therefore the SEMDC filled the gap. Program called Community Support provide staff. They still do small cities development grant writing. In twenty-five years they have generated \$20 million in grants. John H. asked him to expand on what requirements a city must have to engage their services. Chris said it can be anybody and that each contract varies differently. Goodhue County contract is on a project-to-project basis, billed on an hourly rate. Some cities look for full time staff assigned on a contract basis (one day a week or something).

Chris talked about a meeting with a recent customer, who was concerned about accountability issue and the duplication concerns.

Kathy R. asked if he could share any of the projects that he had been involved in Goodhue County. Chris said he had done a business expansion and retention survey for manufacturing. They are now doing food service. Results indicated that some issues are out of local control, like foreign competition. Others are skilled labor and etc.

Gary I. asked if Chris knew what the balance was of the revolving loan balance at the county. He also asked about limits. Chris said it started at 100,000, but that the limits are flexible based on the project.

Dan M. asked him to talk about the small business development grant. He further asked if they assist with marketing.

Chris responded by saying DEED is a program that has dollars available to do infrastructure, commercial and residential rehabilitation. If it is a utility project, there are probably other dollars brought in like USDA dollars.

Chris responded that SEMDC has done marketing for communities who have hired them to develop those.

Linda T. asked what types of conflict of interest problems have been encounter working in so many cities in Goodhue County. Chris said he has not had it come up and be an issue in any community that he has worked in. Chris said that each city has unique assets and needs. He hasn't seen a problem with competing interests and it has never been a problem. Chris said they work very hard to try and get past individual projects to work for the greater good.

Linda asked if one of the advantages in a regional service is that because you are seeing so many communities it actually becomes more cooperative. Chris said it's a much more difficult struggle than he had anticipated. Regional cooperation is going to be a need in the future. Red Wing isn't competing with Lake City, its competing with Hong Kong.

Scott W. asked if he had any mutual projects with Red Wing Port Authority. Chris responded that recently, there have been a couple projects that the Port Authority and EDA have looked at cooperatively.

Linda T. asked about the survey that they had completed. Chris said they did the survey for the Goodhue County EDA. They also coordinated an economic development summit in Goodhue each year. This year it was in Zumbrota on tourism, in February.

Dan M. asked if Chris knew of any advantages that the Port Authority has over the SEMDC. Chris believes their authority is similar. Chris said in each case they serve under a government agency. In most cases, EDA/Port Authorities are there to provide information to the elected/appointed committees.

Linda T. asked Myron if there are certain businesses that only want to work with a Port Authority. Myron said he hasn't run into that, but will be prepared to address this on May 11th.

Art K. asked Chris if they work more with counties or cities. Chris said they are contracted in six counties, but more counties. Time division is based on the level of service in the contracts. In a number of areas there are often a number of disconnects. In some cases it's between businesses and city hall. They open up communication. There is also often disconnects between cities and a county.

Art K. further asked Chris how Red Wing competes. Chris responded by saying that his opinion is limited, but in the survey for expansion he saw a disconnect between businesses and city hall and also between community level and the county. Businesses said they had never been asked by the county for their opinion. They also expected that the contact was going to be negative.

Kenneth B. asked what the costs are to communities and what is the tenure. Chris responded by saying that they are usually an hourly cost – roughly \$49 per hour. If you want more time, the less per hour you are paying. Contract length probably averages five plus years. Kenneth B.

asked what the success rate is. Chris said it's been very good. In some cases, they do things like organize national night out – more of a community development effort. In other cases, it's pure economic development.

Donna A. asked if the business survey is still available. Chris said yes, that it's on the website. He said the new one should be available by the end of the year.

Scott asked for a link to the survey on the Mayor's panel site, and Linda asked for all the speakers' information in the minutes.

Marshall Hallock, City of Red Wing

Marshall applauded the efforts of the panel and started his presentation by defining tax base.

- General tax bases are income tax base, sales tax base, property tax base. At the local level its property tax base.
- Different level of government has different tax bases. State has income, sales, property and other.
- City of Red wing has property tax base. Access to tax bases is limited by legislative authority.
- Property Tax Classification Rates – established by the state. Residential, Commercial, Industrial and Utility are basic categories. Different properties have different tax burdens on a dollar for dollar basis.

Marshall said that the reason cities are interested in economic development is because you get twice the bang for the buck on the commercial asset (tax base).

Commercial/Industrial (C/I) contributes more heavily to the tax base on a taxable market value basis. He explained how on a \$400,000 valued property, a residential property would be \$5,200; C/I would pay over \$12,000 for the same value. Part of the different is that C/I pay a state tax on top of the property tax for residential. The state rate is uniform across Minnesota.

Marshall said all the information is on Red Wing's website. He can provide some comparisons but didn't for this presentation. Call him if you want more information or clarification.

He reported that Red Wing's Tax base is broken into ten categories including personal property, residential public utility, C/I, non homestead residential, agricultural, railroads, other, JOBZ, TIF. From 2003-2019 Red Wing's tax base has increased from \$17 million to \$23 million, but much has changed within the categories.

Marshall talked to the impact of Xcel's property taxes. New rules in 2007 cause the value of Xcel to decrease by 12 percent. C/I continues to grow. Scott W. asked why. Marshall said he feels the market hasn't eroded as significantly as it has on residential. This might not hold true in the future. Scott W. asked why the non-homestead property has held its own in value and why. Marshall said that particular category hasn't been affected by the economy as much. John H. said there has been a shift in lots of homes being reclassified from homestead to non-homestead. It's an investment that some are making.

Red Wing tax base graph represents the fluctuations of the various categories. The reduction in the utility tax base is holding Red Wing flat in overall tax base. Its decrease is offsetting increases in other categories. Marshall pointed out that the property tax shift coincides with the change in utility tax DOE rule change. John H. said that at a recent council meeting, it was said that residential property owners are paying 76 percent of taxes. This chart represents it's about 36 percent. Correct? Marshall said that it is in that ball park.

Carolyn H. said that TIF has a significant impact on the tax base. What is his prediction of TIF in the future? Marshall responded that it's an investment in our future. What we are seeing with the TIF is that two major TIF districts that are coming off the tax base literally increase our tax capacity by 3-4 percent. This was extremely fortunate because the timing was such that it offset the utility tax shift. Marshall said that he feel TIF is one of the very few good tools that Red Wing has to attract development.

Mike S. clarified that break between residential and utilities. They are about the same.

Scott W. asked if the relationship between C/I and residential is normal. Marshall said that if you can get 25 percent of your entire tax base from commercial/industry, you are really fortunate.

Marshall said he was asked to see how taxes are distributed across the various silos. The levy of 2010 is spread in millions:

- Residential \$ 4.5 million
- Public Utilities \$4.2 million
- C/I \$2.4 million
- Non Homestead Res. \$1 million
- Other \$436,000

Local Taxing Authorities Property Tax Distribution:

- City receives 31 percent (commercial), 39 percent (residential)
- County receives 24 percent (commercial), 30 percent (residential)

Scott W. asked if 24 percent of taxes collected from C/I go into supporting the city. Marshall said the largest tax payers in Red Wing are:

- Xcel Energy
- Wall Mart
- Menards
- Fairview
- Target
- Red Wing Shoe
- M&E Realty Company
- CJB Real Estate
- Fairview Woods
- Norwood

Linda said she has sensed hostility from other communities because we have Xcel. What would happen if we didn't have LGA. John H. said our infrastructure would be different, like police and fire and etc.

The fundamental change would be that we would receive a lot more LGA. If we looked at our entire revenue base, Xcel is a large percentage of that. But they are also a large employer.

When we try to compare ourselves to other communities, we try to do it in a rationale systematic basis. We are a regional center. That is who we compare ourselves to. There are 28 regional centers. This 2008 charge tells us that if you look at all the tax rates, we were the seventh highest taxed regional center in the state. State policy plays a significant role in the dollars you have to tax out of your wallet to contribute to government.

Xcel's Energy Impact on Property Taxes charts show state tax policy plays into this. DOE changed the rules on how utilities are valued, thus impacting taxes paid.

City levy increases have been about 2 percent per year. Impact has been actually 40 percent because of the loss in tax base from Xcel.

Lodging Receipts chart shows what type of receipts the VCB has received since 1997. It's a 3 percent of rate.

John B. said he felt the data is skewed because we don't know occupancy rate or number of rooms. Marshall said in finance we do not have access to this.

John H. asked how the state's renter credit affects city taxes. Marshall said it has negligible impact on the city. To the extent the rebate allows the property owner to lower rent, it becomes part of the assessed valuable. To the extent that it reduces the assessed valuation, it's a benefit to the city.

Gary I. asked what the total restricted and unrestricted fund balance is. Marshall said that in the General Fund, the City has approximately 65 percent and he feels that in these extremely dynamic fiscal times, it's important to protect the decision-making authority. That would be \$8-\$9 million. Those dollars allow for planning and stay out of fiscal crisis. This allows us to avoid borrowing.

Scott W. wrapped up by saying that he thought the information on C/I tax was very good information for us to keep in mind as we move toward our recommendation.

Frame Up Port Authority Questions

Scott W. distributed an e-mail put together by the panelists from the last meeting.

Scott introduced the topic and turned the meeting over to Dave to facilitate. Scott said our goal tonight is to identify issues, not debate or answer the questions.

Scott said he felt that we need to discuss the process, carefully weighing how to gather the information. He suggested we bring together a smaller group to have a discussion and dig into critical information instead of a larger panel.

Scott said we need to make sure we have a public discussion on the information gathered.

Scott said he would like the discussion to be focused on the questions of the panel.

Dave said he would have everybody out by 10:00 p.m. and that he appreciated the opportunity to work with this group. Dave said he felt the role of the facilitator is to:

- 1) Be a process lead when appropriate.
- 2) Add value content wisely – his experience will help.
- 3) Be neutral – to be objective.
- 4) Respect the motives and the legitimacy in what you are trying to do. Question of the charge is legitimate honest and forthright.

Dave spoke to Marshall's presentation and said statistics are very difficult to grasp. MN State property tax system is complicated. Marshall did a good job. AMC did a video on property taxes. It's still relevant, but it's dated. **Kay make available to panel.**

Statistics are good for debate but Red Wing is unique.

Dave talked about the structure of economic development in Red Wing. The more important question is what is economic development in Red Wing. What types and kinds of economic development do we want - Port, EDA, City Council, or regional economic development body. First figure out what you want, then how do you want to accomplish it.

Dave recalled that number eight was state and local commitment, but nowhere is the structure going to determine economic development success.

Setting aside the macro question, the charge for the next twenty-two minutes, is the Port.

Dave said he wants to provide the Port Authority with a set of questions that they can respond to?

Determine what level to ask – board, or staff?

Dave askedbased on the meetings you've had, what else do you need to know about the Port before you can start making decision on whether the Port is the right structure?

1. Marketing:

- How does the Port market outside of State of MN? Or basically, what is the Port's marketing strategy?
- How has the marketing strategy changed in the last five years? Trade shows attendance - what should they be attending? What resources do they (Port) think they need?
- What other alliances or collaborating in their marketing efforts?
- What criteria are they using to evaluate marketing efforts?
- Marketing strategy should support the vision

2. What is the vision?

- How was the vision determined, when, how recent was it reviewed? Is the vision consistently tied to the strategy?
- How strong is vision distributed/applied to commissioners?
- How does vision tie into the comprehensive plan?
- How is it measured?

3. Fiber/Technology – What is the plan now that HBC has pulled out of the bid process?

What are your top five initiatives, including Fiber – or where do they spend their times. Priorities, what are you hearing from businesses? Are there deficiencies in those areas that we fall short on, and what are we doing to address those.

4. Responsibilities and Accountabilities – Port’s Enabling Resolution, structure of port, staff to Port Board, and Board to the City Council, and fiscal responsibility?

Staff and Commissioners qualifications – what are they trying to obtain. How do Commissioners come to the table? How are vacancies filled? Is there a pool of talent being looked at for when those commissioners are selected?

5. Examination of debt and revenue flow. Financial underpinning of the Port.

6. What are other communities doing? As far as economic development? Are there good EDA models out there that we should look at?

Dave elaborated saying that ultimately it comes down to three key issues:

- Who is leading it?
- How much money are you willing to put forward to bring your vision to fruition?
- What are your policies that guide investments?

Gary wanted to know if other Port’s own businesses - like RW owning the Marina.

7. What has the Port done well?

8. What can the Port Authority do that makes them to be the big dog in town? How all of these pieces fit together in this community. Bothers me the lack of clarity about entry point – how does the left hand know what the right hand is doing? How does it fit together? Culture for economic development? It isn’t just leadership; it’s the community’s willingness to support, who is responsible? One of the threads is about relationships. Even if it’s designed beautifully, we aren’t going to get good results if we don’t have good relationships.

9. From the Port’s viewpoint, how do these silos get broken down and that information flows freely?

10. Data about their experience or valuation that they brought to town and others that they worked with and they didn’t end up here.

11. What are the behaviors and energies the Port is using to attract businesses? What is in the business development position that's being used to attract business?
12. Long range plan – what is it, what is the short range plan? What is the plan to adapt - does the back end need to be changed?
13. Relationship between City and Port and Port and State – working relationship between state agencies for EDA.
14. Do other EDA's have separate Finance Directors? Are there any enticements that the Port uses to bring in new businesses compared to other communities?
15. Should the Port use the same City Attorney?
16. What levels of service currently support? Manpower, resources?
17. Regional concept – how much is the county putting into their economic development activities? Are they going to facilitate a regional concept?

Six macro questions that everything will fit well within:

1. Foundation/vision strategies/goals/long range plan/what does it do?
2. Marketing/ enticements/subsidies?
3. Technology?
4. Tools Port uses to entice business/what does a business look for when searching?
5. If not the Port, what else? What does the Port give us that an EDA or city can't do?
6. Relationship/ economic development culture/clarify/comparison with other communities?

Dave added studies show that the leading factor of business location is where the owner lives.

Dave and Scott said they will talk with Myron to discuss the questions to clarify. Scott is going to create a subcommittee of three or four members to dive into this list of questions and go through them with Myron prior to the next meeting.

Clarified that we have made arrangements to have developers come and discuss. Ian Roberts, will come and represent a lot of large number of businesses. Also, the developer from Fairview.

Gary requested last meeting be at City Hall and with a live broadcast. That date is June 8. Kay will check on availability.

Scott said there is a meeting room conflict and that the retreat will be on May 24 and 25 at the Indigo Room.

Adjournment:

Meeting was adjourned at 10:10 p.m.