



MANAGER'S MEMO ITEM

ITEM: Restructuring of Economic Development/Tourism Function
WORKSHOP DATE: September 27, 2005
PREPARED BY: Michael Baker, Assistant Village Manager
David Fieldman, Deputy Village Manager
BID AMOUNT: NA **ACCOUNT:** NA
BUDGET AMOUNT: NA

PURPOSE: To continue discussions with the Village Council regarding the creation of an independent Economic Development Commission that would be responsible for coordinating Economic Development and Tourism activities with dedicated staffing

BACKGROUND:

For the past several months, members of the Economic Development Commission (EDC) and Village staff have been investigating and evaluating the creation of an independent Economic Development/Tourism function. The purpose of the proposed restructuring is to establish a structure that most effectively helps to foster development and growth of the local economy based on measurable performance indicators.

On July 26, 2005, members of the EDC and Village staff presented the preliminary proposal to the Village Council. Several questions were raised during the discussion, and a commitment was made to return to the Village Council in order to respond to the outstanding issues. Since that time, staff has assembled additional information and met with members of the EDC to discuss responses to the open questions. Members of the EDC will make a brief presentation to the Village Council on Tuesday night in order to explain refinements that have been made to the proposal in response to issues that have been raised. Staff will further discuss the cost implications related to the proposed structure.

The information below describes the refinements that have been made to the proposed structure since July, and offers responses to the questions raised by the Village Council.

REFINEMENTS TO PROPOSED STRUCTURE:

- **Initial staffing level and cost:** Under the proposal presented during the July 26 Workshop, the staffing arrangement for the independent EDC included five positions. After further consideration, the EDC Committee has recommended that the initial staffing level be reduced to three, including an Executive Director/CEO, a Tourism Coordinator, and an Administrative Assistant. This results in an adjustment of the projected cost for payroll and benefits from \$420,000 to \$290,000. The Committee also recommended that the base salary for the Executive Director/CEO be set at \$105,000, consistent with the salary of the Village's previous Economic Development Director. The allocation for personnel costs would allow for a modest bonus to be awarded if the Director/CEO met his or her performance targets.

The reduced staffing arrangement would also allow for a reduction in other expenses, from an annual cost of \$135,000 to \$105,000. This would result in a total estimated cost for FY2006-07 of \$390,000. The Village currently has approximately \$308,000 budgeted in this current fiscal year for Economic Development and Tourism activities, which leaves a deficit of \$82,000. The EDC Committee recommends an adjustment of the Hotel Tax from 4.5% to 5.0%, which will generate approximately \$88,000 and cover the costs for the adjusted annual expenses of the proposed structure.

The Committee does not expect an increase in staffing levels until at least year three of the new structure's operation, and anticipates that these additional staffing costs would be covered by the projected increase in hotel tax collections over that period of time, with no further increase to the rate necessary.

RESPONSE TO QUESTIONS:

- **What is the Mission/Objective Statement guiding the entity?**

The purpose of the EDC is to bring private business and public sector economic initiatives and interest together in order to improve the overall economic environment and quality of life in the Village of Downers Grove.

- **What is the true advantage of being separate in terms, as opposed to enhancing the function within the Village structure, in terms of return on investment?**

The EDC Committee suggests that the following factors summarize the advantages of a separate EDC structure:

- 1) Focus – The new arrangement would be able to focus solely on matters of Economic Development and Tourism with less possibility of having competing Village interests usurp the time and resources of the dedicated staff.
- 2) Accountability – The Board of Directors will ensure that the Executive Director/CEO is focused on achieving the measurable results that are established.
- 3) Independence – The entity will have more freedom and flexibility to pursue economic opportunities that benefit the Village of Downers Grove.

- **What is the amount of budgeted expenses in the current fiscal year that that would be available to fund the new entity?**

Approximately \$308,000. This amount was determined by identifying those expenses in the Planning and Community Development Department budget earmarked for Economic Development (\$162,764) and in the Tourism & Events Department budget that are earmarked for Tourism (\$145,727). The previously reported figure of \$212,000 was based on those dollars that are available and not planned for use in this current fiscal year (The Tourism & Events Department does intend to spend dollars budgeted for tourism related activities, which include primarily marketing-related expenses).

- **Is the proposal cost neutral? If not, where will the dollars to meet annual expenses come from if the new structure is not cost neutral?**

The revised recommendation includes \$395,000 in annual expenses, to be funded by an initial allocation from the Village's General Fund. There is \$308,000 budgeted in the current fiscal year for Economic Development and Tourism, which could be shifted to support to the new Economic Development structure once it is approved. This could be done in a manner that continues to provide employment for all existing Village employees, though certain job

duties in the Tourism & Events Department would need to be realigned. The EDC Committee is recommending a hotel tax increase of 0.5%, which would generate \$88,000 and meet the full expense obligation of the new structure.

• **What have been the actual expenses for Economic Development and Tourism over the past several fiscal years?**

FY2000-01	\$726,548
FY2001-02	\$680,867
FY2002-03	\$520,695
FY2003-04	\$404,965
FY2004-05	\$276,188
FY2005-06 (budgeted)	\$308,491

• **Can the division of responsibility between events and tourism be clarified?**

Events will involve the planning, coordination, and implementation of events that are designed to primarily benefit and appeal to residents of Downers Grove. Currently, these include Heritage Festival, the bike race, the ice sculpture festival, the Friday night car shows, and the fine arts festival.

Tourism activities will focus on efforts that attract visitors from outside of Downers Grove into the Village to spend money, thereby increasing the dollars spend within the Village by individual who neither live nor work in Downers Grove. This may be done in conjunction with Village-organized events or it may result in the identification of other “events” that meet this objective. This would require more direct relationships and interaction with businesses interested in expanding into the Village, identification of events and activities that seek to locate in or near the Village, as well as other groups that would be interested in using facilities within Downers Grove.

• **What are the hotel tax rates of neighboring/comparable communities?**

See attached hotel tax survey.

• **Please provide further definition of the President/CEO qualifications and compensation plan.**

The preferred candidate for the President/CEO position would meet the following criteria:

- A minimum of 10 years of experience in private sector business, economic development or public/private partnerships with emphasis on marketing, sales and finance functions.
- Proven leadership and management skills.
- Demonstrated ability to negotiate and implement complex business agreements.
- Knowledge of retail, office and industrial markets. Knowledge of the Chicago area and DuPage County markets is preferred. Experience in site selection decision making is preferred.
- Experience in consensus building in a collective decision making environment.
- MBA or MPA preferred.

Compensation for this position would consist of a base salary and benefits comparable to similar economic development leadership positions in the market and a bonus to be based on the achievement of measurable performance objectives. Performance objectives would likely be tied to targeted vacancy rates in the retail, office and industrial sectors, total increases in

Equalized Assessed Valuation in the commercial and industrial sectors, increases in total hotel tax revenue and sales tax revenue and a specific business retention percentage.

• **What is the tentative 5-year plan with goals and work to be completed (by each staff person)?**

The EDC Committee discussed that specific goals would be set by the Board of Directors and Executive Director based on specific performance indicators, such as growth in sales tax revenue, EAV, and occupancy rates as compared to prior year performance and/or performance of DuPage County at large.

• **What are the next steps in the process of approval and implementation?**

- Consideration of motion by Village Council endorsing the new structure ...Oct. 4
- Nominating Committee begins process of selecting Executive Director/CEO, and executing process for creation of non-profit incorporation.....Oct.- Dec.
- Presentation of formal ordinances/resolutions to amend the budget, remove the EDC as a Village Commission, and amend the Tourism & Events CommissionNov.
- Identification of prospective members for Board of Directors.....Oct. – Jan.
- Formalize EDC responsibilities and coordination with Village functionsJan. – May

ATTACHMENTS:

Hotel Tax Survey

STAFF RECOMMENDATION:

Staff recommends approval of the proposed restructuring of the Economic Development/ Tourism function.

REQUESTED COURSE OF ACTION:

If the Village Council supports implementation of the plan to establish the proposed structure, staff will request that a motion be considered at the October 4, 2005 Council Meeting authorizing the necessary resolutions and ordinances to be drafted and presented for consideration.

Hotel Tax Survey Conducted August 2005

Municipality - # of Hotels	Home Rule	Rate	Total Tax Collected	Use of Funds
Oak Brook - 6	No	1.00%	FY04 \$325,000	Promote Tourism and Overnight stays
Hoffman Estates - 8	Yes	4.00%	CY04 \$703,233	General Fund
Naperville - 19	Yes	4.40%	FY05 \$1,111,993	34.5% to Naperville Development Partnership
Downers Grove - 9	Yes	4.50%	FY05 \$753,195	Economic Development, Tourism, Community Events & Community Grants
Arlington Heights - 12	Yes	5.00%	FY05 \$1,192,000	General Fund
Glen Ellyn - 2	Yes	5.00%	FY04 \$80,614	Promote Tourism Conventions and Special Events
Lombard - 9	No	5.00%	FY05 \$942,000	The promotion of Tourism, Conventions, Overnight visitors, and Events
Lisle - ?	No	5.00%	FY04 \$1,200,000	For Grants, Events, Tourism and Conventions
Westmont - 6	No	5.00%	FY04 \$542,437	Promote convention and tourism, fund grants for events,
Oak Brook Terrace - 7	Yes	6.00%	FY05 \$1,170,000	Placed in the General Fund which a portion is used to promote tourism
Evanston - 5	Yes	7.50%	FY05 \$788,000	Goes to the Economic Development Fund for operations
Schaumburg -	Yes	8.00%	FY04 \$4,800,000	1/2 to General Fund, 1/4 Debt Service, 1/4 capital projects (Convention Center)
Bolingbrook - 7	Yes	9.00%	FY04 \$655,175	General Fund